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ANNUAL REPORT 1996/97

OFFICE OF THE RAIL REGULATOR

Regulating the Railway in the Public Interest

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REPORT OF THE RAIL REGULATOR

TO THE DEPUTY PRIME MINISTER AND SECRETARY OF STATE FOR THE ENVIRONMENT, TRANSPORT AND THE REGIONS

Dear Deputy Prime Minister,

I enclose my report for the year ending 31 March 1997 as required by section 74(1) of the Railways Act 1993.

I confirm that during this period,

i) I made no references to the Monopolies and Mergers Commission; and

ii) I received no general directions under section 69(2) of the Act.

A handwritten signature in cursive script, appearing to read 'J A Swift', with a horizontal line underneath.

J A Swift QC
Rail Regulator
July 1997

Presented to Parliament in pursuance of section 74 of the Railways Act 1993

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THE REGULATOR'S COUNCIL.

From left to right: (top row) Peter Murphy, Director of Resources and RUCC Sponsorship; John Rhodes, Group Director, Passenger Services; Keith Webb, Head of Private Office and Public Affairs; Michael Brocklehurst, Chief Legal Advisor; Chris Bolt, Group Director, Economic Regulation; Charles Brown, Group Director, Railway Network; Dr. Stephen Glaister, Non-executive Director; (bottom row) Ann Forster, Non-executive Director; Michael Beswick, Director of Network Regulation; John Swift QC, The Regulator; Iryna Terlecky, Director of Licensing and Consumer Protection; and Sir Wilfrid Newton CBE, Non-executive Director.

Following the Strategic review of the Office, the Regulator's Council was established as the Office's new policy making body, replacing the former Executive Committee (Policy). Membership constitutes the Regulator, his Group Directors and their deputies, the Chief Legal Advisor, the Director of Resources and RUCC Sponsorship, the Head of Private Office and Public Affairs and three Non-executive Directors.

THE CHALLENGES OF THE JOB: REGULATION IN THE PUBLIC INTEREST

1. By the end of March 1997, a full three years after the initial reconstruction and division of British Rail (BR) into separate businesses, private sector companies had taken over responsibility for the provision of the railway network, and of rail passenger and rail freight services in Great Britain. Throughout that period, my resources were largely directed to ensuring that the process of restructuring contributed to improved public transport services to rail passengers - now relying on a multi-operator network - and improved services to freight users. Moreover the new system of contracts, which I approved, and licences, which I granted, had to be robust enough to accommodate a multi-operator railway in private hands and to provide incentives for growth and improved performance and deterrents against abuse or neglect or market failure. During the year we moved from Phase 1 - reconstruction - to Phase 2 - making the new arrangements work in the public interest and to the benefit of passengers and users of the railway.
2. The restructuring of the railways is of immense economic and social importance for the future of this country. My duty is to use my powers under the Railways Act 1993, and my position as Regulator, to influence the industry and to regulate it in the public interest.
3. In the case of railways, as with other privatised industries, I am guided by broad public interest objectives set out in the Act and must set out and apply the principles and criteria which, in my best judgment, enable those objectives to be realised. In brief, the purposes of the Railways Act are to improve public transport services

for rail passengers, to improve the opportunities for using rail for the carriage of goods and to get better value for money for the taxpayer. In this introductory Statement to my fourth Annual Report, but my first to the new Government, I think it is appropriate to summarise the contribution that my Office has made to the achievement of those purposes, in line with the Aims and Objectives set out in [Appendix 1](#).

SPECIFIC OBJECTIVES

The Regulation of Railtrack

4. The manner in which Railtrack exercises its responsibilities for the stewardship of the railway network is critical to the safety of passengers, users and employees and to the ability of operators to meet demand for their services. The effective regulation of Railtrack is thus one of my key objectives. There is a mood of confidence in the new industry that rail is capable of achieving substantial and exciting growth in passenger and freight traffic. Railtrack owns the essential facilities in infrastructure, stations and depots, the effective and enlightened management and development of which are indispensable to the achievement of that growth. Thus it holds a monopoly which cannot be allowed to fail the public, or the State, for it has been created out of a subsidised State railway and is indirectly but massively supported by State funds. Railtrack became a Government owned company in April 1994 and for the first two years of its existence was under Government control, operating within the financial framework which the Government had determined for the railways.

5. In May 1996 Railtrack was privatised. The Government issued a Prospectus in May 1996, to which I contributed a section on the [role of the Rail Regulator](#). This was reproduced in my Annual Report last year. I referred to the stability of the regulatory system, based on regulated contracts and licences, and noted the Rail Regulator's duty to enable operators to plan their businesses with a reasonable degree of assurance. I also drew attention to an important public interest aspect of the relationship between Railtrack and its customers and shareholders, namely that where financial performance is better than expected at the time of flotation for reasons other than greater efficiency, I would not consider it appropriate for the entirety of such benefits to be passed on to shareholders. When an enterprise of such magnitude and uncertainty is embarked upon, commercial contracts must continue to be tested as to whether they are reasonable as between the parties and in the public interest, having regard to changes in the market place brought about by the privatisation process itself.

6. The year under review, therefore, was the first occasion to test Railtrack's performance in the private sector, in commercial terms and against public interest criteria.

Reliability and Punctuality

7. Comparing like with like, Railtrack as a private sector company operating under contracts which reward good performance and severely penalise bad performance, has, in specific areas, produced a substantially improved performance over its record in the public sector. One of the most satisfactory developments in the year has been Railtrack's contribution towards the increased reliability and thus performance of the railway, measured through a major decrease in 'minutes delay' attributable to Railtrack. The serious breakdowns in services which occurred during the period should not detract from this improvement. Train operators have complimented Railtrack and it is right that this should be recorded in my Report. But there is a long way to go.

Cooperation with Operators

8. Railtrack is improving its relations with its customers, passenger and freight operators, recognising that cooperation and partnership are essential for the effective running of the existing railway and for its enhancement. That, again, is a major gain and follows two years of a relatively poor perception of its responsibilities toward dependent operators and users. But the test against which Railtrack will be judged will continue to be the effectiveness of its response to the demands and concerns of its customers and its willingness to incur cost and risk in the enhancement of the railway network.

Network Enhancement



The Regulator's three Non-executive Directors (left to right): Dr. Stephen Glaister, Cassel Reader in Economic Geography at the London School of Economics; Ann Foster, Director of the Scottish Consumer Council and Sir Wilfrid Newton CBE, a Director of HSBC Holdings PLC and former Chairman of London Transport.

9. I have set out in the published guidelines on [enhancement of the network](#) clear criteria which I expect Railtrack to follow in respect of enhancements, in line with its status as the owner of essential facilities. I have intervened, and will continue to do so, where I see any evidence of Railtrack seeking to obtain disproportionate profit from an investment or refusing to undertake investments without reasonable justification.

Safety

10. Railtrack's safety record continues under the close scrutiny of Her Majesty's Railway Inspectorate (HMRI), which has already expressed concern as to the systems for the employment of independent contractors and which reported on the safety of the railway in the course of the year. My Office is in regular contact with HMRI, under a Memorandum of Understanding, and with Railtrack's Safety and Standards Directorate.

Investment in Renewals

11. Railtrack's record on investment has been unsatisfactory. Train operators and funding authorities have the right to expect that when they pay for a railway in modern equivalent form - the basis on which Railtrack charges for access - they get investment of an amount and a type which delivers that. The backlog of expenditure which had accumulated by November 1996, the time of the publication of Railtrack's interim results, was not acceptable to operators or to me. I said so in [December 1996](#), and again in January 1997 when I published my [regulatory objectives for Railtrack](#).

The Network Management Statement

12. Railtrack published its first post-privatisation Network Management Statement in February this year. The form and period of the Statement were approved by me and it contains much more information about Railtrack's plans for the renewal and development of the railway network than has previously been available. The Statement is an important first step forward in demonstrating Railtrack's commitment to planning and future investment. However, there is more to be done and I have asked Railtrack, over the course of the year 1997-98, to set out more detail on their plans in a number of important areas. The role of regulation is to provide, through *systems of controls*, what a competitive market should be expected to achieve through *incentives*. But, from 1994, Railtrack's obligations on delivery of its investment programme have been extremely light. First, it has no obligation to demonstrate how it proposes to link its investment programme to output targets. Second, there has been no direct means available to me of ensuring that Railtrack complies with its duty to spend the money it receives for investment, and to spend it wisely. I have therefore commenced discussions with Railtrack to

seek to agree with it an appropriate modification to its licence which would meet public interest concerns without prejudicing its effective management of a properly directed capital investment programme.

Regulation of the Multi-Operator Passenger Railway

The Regulator with other delegates at the first conference of the Association of Charter Train Operators (ACTO) in November 1996, (left to right): Charles Belcher, then Managing Director of Rail express systems; Brell Ewart, Chairman of Mainline Steam Locomotive Owners Ltd; Terry Thorpe, ACTO Chairman, the Regulator; Christopher Leah, Director Railtrack North West Zone; and Sir William McAlpine, Chairman of Rail Charter Services.



13. The Railway is unique among the privatised utilities in several ways relevant to its regulation. First, there are in effect two regulators - myself and the Franchising Director. Under a division of responsibilities, part statutory and part by decision of the former Government, I am barred from including in franchised passenger train operator licences any conditions relating to the prices or quality of services provided to passengers by such operators on trains or at stations. Thus a particularly important part of consumer protection policy is left to the Franchising Director, acting under Objectives, Instructions and Guidance issued by the Secretary of State and distributing to passenger train operators subsidy voted to his Office by Parliament. Second, the railway markets in which regulation applies are often highly competitive, and thus regulation, as distinct from control of anti-competitive practices, may work against the interests of passengers if the regulatory requirements stifle innovation and growth. Third, the structure of the new railway industry requires multilateral agreements to be entered into if changes are to be made in the use of the infrastructure, stations or depots or if network benefits are to be achieved. Fourth, my duty to promote competition between, among others, train operators has to take into account the interests of taxpayers in holding down the level of subsidy (which unrestricted competition might drive up) and the interests of passengers in the use of the network without particular regard to the different identities of the train operators. Against that background I have supported policies of cooperation between train companies in order to enhance the quality and use of the network, while encouraging all operators to test the feasibility of introducing new revenue maximising services.

14. This Report spells out in detail the critically important role of this Office in the development of an improved passenger railway and the manner in which we have exercised our statutory powers and used our position in the industry to continue to strive for improvements. The areas include:

Under the terms of the licence obligation

- the retention of a comprehensive station based system for the retailing of tickets and through tickets at stations across the network;
- the provision of accurate and impartial retailing services to passengers at those stations or from enquiry bureaux;
- the establishment of a new and greatly enhanced national rail enquiry service;
- improvements in the production of an accurate railway timetable;
- securing more efficient insurance schemes for the industry;
- requiring operators to improve their arrangements for allocating and handling claims; and
- investigating complaints of licence breach.

Under the Regulator's powers in relation to access agreements and the terms of the standard track, station and depot access conditions

- facilitating the inclusion of rights for new and expanded services by passenger train operators;
- facilitating the agreement of rights needed for major investments (e.g. West Coast Main Line and Thameslink 2000);
- issuing, where appropriate, guidance as to the approach the Regulator will take on specific cases; and
- issuing general approvals to avoid the need for regulatory approval of specific changes where there is no public interest value in such approvals.

15. The improvements in performance of Railtrack have assisted passenger train operators in fulfilling their contracts with the Franchising Director. And several of the new train companies have recorded increases in passenger travel on their services well in excess of the rate of growth in the economy. The Central Rail Users' Consultative Committee (CRUCC) reported a reduction in passenger complaints of about 30 per cent. The mood of confidence, to which I referred above, and the need to meet some demanding revenue targets over the length of the franchise, is driving train operators to introduce new services and new types of service.

16. All these developments are most encouraging. Nevertheless, there is a long way to go in ensuring that the multi-operator railway optimises the resources now available to it and increases accessibility of the railway (not least for disabled people) and value for money. In June this year, outside the period covered by this Report but taking account of the performance of the passenger railway over the period of three years since the Railways Act, I issued my [regulatory objectives for passenger train and station operators](#). I made it clear that in many areas there was scope for substantial improvements for passengers and that I would have no hesitation in using my licence enforcement powers or my powers to seek licence amendments if these improvements were not pursued or achieved.

Regulation of the Rail Freight Industry

17. The Railways Act places a specific duty on the Regulator to promote the carriage of goods by rail. However, the Act did not provide for an equivalent to a Freight Franchising Director, empowered to require and to pay for minimum quantities of goods to be carried by rail. There is no statutory requirement on Railtrack or on any freight operator to invest in infrastructure or locomotives or wagons to a level which might arrest the decline in the market share of freight; and Railtrack's new financial structure was largely underpinned by State subsidies for the passenger railway and financial inducements to improve the performance of that sector. The exhortations of the Commission of the European Union (EU) to promote the use of rail for freight, and the publication of their White Paper, were encouraging signs of support, but the immediate prospects for growth in Great Britain rest largely on the combined forces of Railtrack, English Welsh and Scottish Railway Ltd (EWS), Freightliner and new entrants.

18. I have consistently pressed Railtrack to state its commitment and to prove it. Its Network Management Statement, produced in February 1997, confirmed worries that freight was running well behind the passenger railway in importance. I have now secured Railtrack's commitment to the development and implementation of a comprehensive freight strategy and the publication of a code of practice on how it will behave in respect of freight development and

its relationship with freight users. These will form both a demonstration of Railtrack's commitment to freight, and a basis of public accountability which I will continue to monitor.

19. I have the authority to control Railtrack's prices for access to its track. But I currently exercise limited regulatory control over individual freight train operators. The commitment of EWS, which now has a virtual monopoly of rail freight service provision across the domestic market, to increase investment in locomotives and wagons, and the enthusiasm of the new owners to development of the market are therefore commendable. After a substantial period of negotiation, Railtrack and EWS agreed a track access contract which was submitted to my Office in March 1997 for regulatory approval, and which at the time of going to press was under consideration.

20. In April this year, just outside the period of this Report, EWS also agreed modifications to its licences to ensure that the interests of customers remain protected in the limited competitive market for freight train operator services.

21. I reaffirm the commitment of this Office to exercise its powers and its influence to promote freight on rail and to ensure that the interests of freight users are properly taken into account in the enhancements that Railtrack will make to the infrastructure, on its own initiative or at the instance of passenger train operators and those funding them.

Regulating Changes to the New Railway Structure

22. The new railway structure is built on different forms of monopoly in the supply of railway services. Railtrack has a monopoly of the infrastructure and is prohibited (except with my agreement) by its licence from engaging in the operation of passenger and freight trains. The supply of passenger train services is based on 25 territorial franchises with extensive protection from competition from new services until 1999. Freight operations are now largely consolidated under the ownership of EWS with some competition from Freightliner and limited open access operations. Three rolling stock leasing companies own the whole of the passenger railway fleet under contracts which guarantee security of custom for several years. There is provision for open access for domestic rail freight and for passenger operation (currently only by Eurostar and provision of charter train services on a modest scale). But, generally, passengers and freight users have limited choice in respect of the particular train services they wish to use.

23. Moreover these monopolies are of different lengths. Most of the franchises have been let on seven year terms, with longer terms secured by commitment to rolling stock renewal (and, in the case of West Coast Main Line, enhancement of the infrastructure). Railtrack, on the other hand, has, and retains, ownership of the track and must invest for the future beyond the expiry of the short term franchises.

24. The division of BR into about 100 separate trading companies was criticised as, among other things, economically inefficient and unlikely to survive. It was thought that the market would rapidly reject the political solution and force through its own form of reintegration.

25. That did not occur during the period under review. The acquisition of the rolling stock company, Porterbrook, by the owner of a train operating company, Stagecoach, avoided reference to the Monopolies and Mergers Commission (MMC) only on Stagecoach's undertakings to hold the rolling stock and train operating companies separate. My Office, at the request of the Director General of Fair Trading (DGFT), carried out a consultation on this and I gave my

recommendations in relation to my public interest duties.

26. The franchising process has resulted in 13 companies owning the 25 franchises. I gave advice to the Franchising Director and to the DGFT where I considered that competition issues arose - whether in respect of contiguous or competing franchises coming under single ownership and control, or where bus or coach companies acquired the franchises. In the case of National Express' acquisition of the Midland Main Line franchise, the Secretary of State for Trade and Industry accepted the recommendation of the MMC that the public interest detriments would be met by assurances on the level of coach prices.

27. Ultimately, decisions on the future structure of the railway industry, at least when affected by mergers, will depend on the judgment of the Secretary of State for Trade and Industry or the Commission of the EU. My view is that where the existence of monopoly is so plain, the authorities should watch with particular care to ensure that increases in concentration do confer public interest benefits to passengers and users.

The Organisation of the Office of the Rail Regulator

28. The duties placed on the Rail Regulator are onerous. They have been pursued with regard to the three main purposes of the Railways Act: to improve services to passengers, to promote the carriage of goods by rail and to provide better value for money for taxpayers. Throughout the period of this Report the system of independent regulation of utilities, by individuals charged with specific statutory duties and powers to secure statutory objectives, has remained under review: in particular a number of reports were published:

National Audit Office. The Work of the Directors General of Telecommunications, Gas Supply, Water Services and Electricity Supply. Published July 1996. HC 645, Session 1995-96.

Committee of Public Accounts. The Work of the Directors General of Telecommunications, Gas Supply, Water Services and Electricity Supply. Published March 1997. HC89, Session 1996-97.

The Trade and Industry Committee. Energy Regulation. Published March 1997. HC 50-I, session 1996-97.

The Trade and Industry Committee. Telecommunications Regulation. Published March 1997. HC 254, session 1996-97.

29. The debate on accountabilities has been constructive, not least in drawing attention to the range of decisions for which regulators are responsible.

30. To help me in reaching my decisions I have appointed Ann Foster (Director of the Scottish Consumer Council) as an additional Non-executive Director alongside Dr Stephen Glaister (Cassel Reader in Economic Geography at the London School of Economics) and Sir Wilfrid Newton CBE (a Director of HSBC Holdings PLC and former Chairman of London Transport).

31. I also encourage all those likely to be affected by our decisions to participate in the decision making process at the earliest practicable stage, in line with the importance I attach to openness and transparency. Thus the processes of wide consultation before developing policy statements, giving guidance to existing and potential operators on my likely view on particular courses of action, informal discussions and, where appropriate, more formal meetings to establish relevant facts, have continued throughout the reporting year.

32. In a number of respects the Railways Act took account of developments in utility regulation in other industries. While the circumstances of the railway industry - in terms of its structure and its reliance on subsidy - mean that it is in many respects unique, I believe it is important that regulatory offices should be in liaison both to develop 'best practice' on procedural matters and to identify, and understand, any potential differences of approach on policy issues, in particular in relation to establishing price limits and to the exercise of

competition functions.

33. I also consider that a proper understanding of the railway industry and access to appropriate specialist knowledge is of considerable importance in reaching sound regulatory decisions. I have already completed a round of visits to each of the major train operators in order to see their operations 'on the ground' and to discuss matters of concern with senior management. I will continue with a programme of such visits and am also visiting individual Railtrack zones (in addition to the regular meetings I have with Railtrack's Executive Directors). I have also appointed a number of staff, at all levels, with practical experience of railway management and operations, and encourage staff to get out into the industry which we regulate.

The Values Group,
Left to right: (standing) Mike Ricketts, Paul Hadley, Chris Collins, the Regulator, Phil Smith and Ian Williams, (seated) Moira Patemoster, Libby Wiseman and Gill Stevens.



34. The year began with the restructuring of the Office to better achieve the aims and objectives set out at [Appendix 1](#), and the structure of this Report reflects the new structure of the Office. The publication of my objectives, for the Office of the Rail Regulator (ORR) and for the companies we regulate, enables people outside ORR to know where we stand and how they stand in relation to us. Last summer I set up a Values Group to consider how to assure ORR staff of the value that I place on each and every one of them as individuals. The result was the formulation of the high level value, *"To strive for excellence in the way we work together - for individual satisfaction and reward and for the common interest of the Office"*, and the supporting values set out at [Appendix 2](#). We are currently monitoring the implementation of these values across the Office and those who exemplify the values will be suitably rewarded via the staff appraisal system. I would like to place on record once again my gratitude to the staff for the efforts they have made over what has been another very busy year. Their sustained efforts and commitment are indispensable for the achievement of my aim - rail regulation in the public interest.

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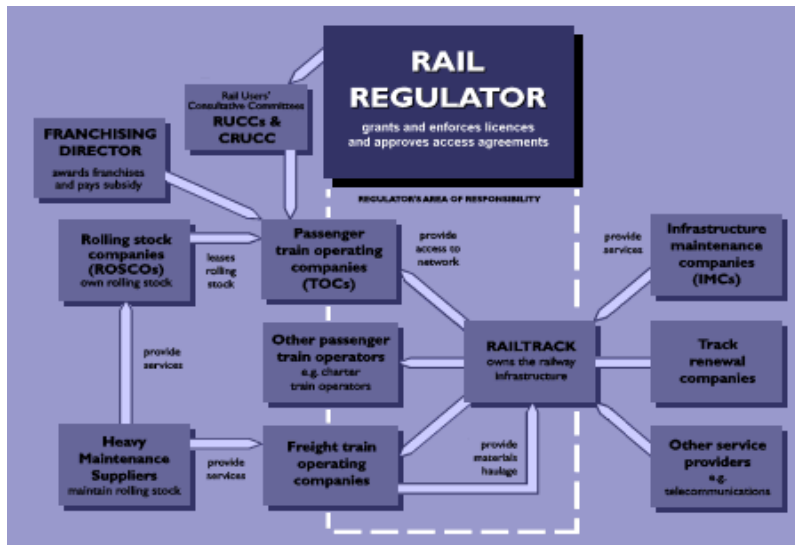
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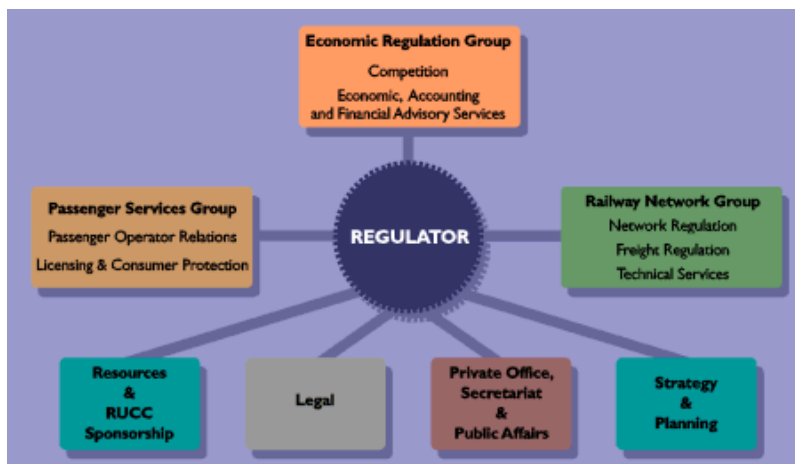
The Structure of the Rail Industry

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The Rail Regulator is at the centre of the new rail industry. The above diagram shows how the Office works with the other players in the new industry, and how they work with each other.

ORR's Management Structure



The Office was restructured in July 1996 following a Strategic Review. The new structure, as set out above, is designed to be responsive to, and to meet, the ever growing needs of the different players within the industry, as we work to create a better railway.

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PASSENGER SERVICES GROUP

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From left to right: Zina Etheridge; Teresa Perchard; Iryna Terlecky; John Rhodes, Group Director; Dee Cotgrove; Munir Chaudhry; and Judith Marshall-Camm.

Passenger Services Group is responsible for all passenger service issues. It is organised in two divisions. Licensing and Consumer Protection Division deals with promoting the interests of consumers, both through conditions included in licences - including to protect the interests of disabled passengers - and work to ensure compliance with those conditions, and also through the promotion of network benefits generally. Passenger Operator Relations Division deals with the Regulator's input to the franchising process, liaison with both franchised and charter train operators, and with stations and closures issues.

LICENSING AND CONSUMER PROTECTION

PROMOTING THE INTERESTS OF CONSUMERS

35. The 1995-96 Annual Report described the changing role of the Regulator: from facilitation, guidance and setting standards during the period of restructuring the railway industry for transfer to the private sector to a greater emphasis on monitoring and enforcing compliance with obligations in licences and contracts. That role has continued to develop during the year with consumer protection policies and priorities determined against the National Consumer Council's consumer principles, which identify the consumer's interest in goods and services:

* access to goods and services * choice * information * safety * redress * equity * value for money * representation.

36. During the reporting period concerns have continued to be expressed about how the restructured industry will maintain and develop network benefits - i.e. those services and facilities which allow passengers to use the railway as a network and which can only be provided by operators acting positively and collectively. In addition, certain key contractual arrangements which were put in place at the beginning of the restructuring process, in 1994 and 1995, have come up for review to timescales provided for within the arrangements themselves. The specific priorities during the year have therefore been set according to the following criteria:

- (a) Areas where the Regulator has a statutory function to exercise - e.g. granting licences and exemptions, approval of third party liability policies at each annual insurance renewal, approval of other licence requirements such as Disabled People's Protection Policies and Environmental Policies.

(b) Areas where there is a limited and critically important opportunity to influence industry reviews and ensure that arrangements and agreements between train operators continue to meet regulatory objectives - e.g. review of the Claims Allocation and Handling Agreement, planning for the review of the Ticketing and Settlement Agreement (TSA).

(c) Areas where it is clear that better arrangements must be put in place to protect the passenger's interests - e.g. accurate and impartial retailing, retailing and honouring of through tickets, passengers' flexibility to use 'any permitted' route with an interavailable ticket, telephone enquiry bureaux and the quality of passenger information generally.

37. In developing policies and programmes in the light of these criteria, the Office has established liaison arrangements, particularly with the Office of Passenger Rail Franchising (OPRAF) to ensure effective coordination of the Regulator's and Franchising Director's respective statutory functions, but also with the Association of Train Operating Companies (ATOC) and the Railway Industry Disputes Resolution Committee, who have key roles to play in relation to specific inter-operator agreements. The Office has also strengthened its relationship with the CRUCC, which has contributed significantly to the development and implementation of policies from their standpoint as independent representatives of passengers.

38. During the reporting year, a sharper focus was given to consumer protection issues, with all licence compliance and network benefit work brought together in the Licensing and Consumer Protection Division. The appointment of Ann Foster, who has extensive experience of consumer issues from her work with the Scottish Consumer Council, as a Non-executive Director, has also helped to increase the emphasis on consumer protection throughout the Office.

NETWORK BENEFITS

39. Licences, and the conditions they contain, provide one of the principal means by which the Regulator carries out his role of protecting the interests of railway users. During the course of the year, with the sales and franchising processes being brought towards a conclusion, the maintenance and development of network benefits has been particularly in the spotlight.

40. There has continued to be concern that short term commercial pressures might put under threat those facilities and services which allow passengers to use the railway as an integrated network. These include:

- the provision of accurate network-wide information;
- the ability to buy a ticket (including a through ticket covering the services of more than one company) from any staffed station to any other station;
- the availability of reliable connecting services;
- the ability to use alternative services at times of disruption; and
- the provision of easy and effective means of redress.

41. The Regulator takes the view that regulatory action to preserve and develop network benefits is a key objective for his Office and an area where short term market pressures cannot necessarily be relied

on to meet the long term interests of passengers.

Ticketing and Settlement Agreement

42. Licences require operators to have in place arrangements approved by the Regulator in relation to the retailing and honouring of through tickets, inter-operator settlement and conditions of carriage in respect of through tickets. The TSA is the multilateral agreement by which the passenger train operators comply with this. The TSA is central to the continued successful provision of through tickets. So that lessons from practical experience can be incorporated in the Agreement itself, the TSA includes a condition requiring a review to be undertaken no later than July 1997. The review is being undertaken by train operators themselves through ATOC, but the Regulator has set out his strategic objectives for the review. In particular, the Regulator believes that, to be successful, the review needs to:

- be wide-ranging;
- focus on outputs from the passenger's point of view;
- examine ways of encouraging continual development; and
- respond to the commercial needs of the industry.

Accurate and Impartial Retailing

43. In summer 1996, the Regulator launched a major consultation exercise on accurate and impartial retailing

which sought views on:



the passenger's needs for accurate and impartial information and retailing;

• how the industry could overcome perceived barriers to accuracy and impartiality (e.g. avoiding excessive queues, the adequacy of information and retailing systems, the commission payment structure);

- staff training needs;
- how passenger information needs might be met; and
- how performance could be monitored.

44. The consultation responses made clear that, although there was a need to clarify some aspects of operators' retailing obligations, accuracy and impartiality was neither unachievable nor unrealistic. Passengers considered it vital to enable them to exercise the choices the railway offers and to use the railway network with confidence. Operators focused more on issues of practicality, but agreed with the overall proposition that ticket retailing was a key activity which needed to be delivered consistently and accurately.

45. As a result, the Regulator published a [policy statement](#) in January which, amongst other things, set out a retailing mission statement: "Providing accurate information and advice on journey and ticket options - irrespective of which company provides the train service - to allow passengers to make an informed choice; and providing the means to purchase the product which best meets their needs."

46. In a separate letter to Managing Directors, the Regulator sought their personal commitment to the mission statement and to the need for: development of improved retailing and information systems; better training for staff; and better information for passengers, particularly on fares options. All Managing Directors have given that personal commitment and the Office is now following up the issues with ATOC. A further output of the consultation exercise was a clear message that there should be independent monitoring of operator performance, which the Regulator has now put in hand.

Monitoring accurate and impartial retailing

In January and March of this year, the Regulator carried out the most extensive and representative independent survey of retailing standards at stations ever undertaken in the railway industry. This mystery shopping exercise has now been completed. 933 stations across the network were included in the survey, covering the 24 train operators who operate ticket offices (only Virgin CrossCountry does not operate ticket offices). The survey also covered the national telephone enquiry service. The survey will help establish a baseline of current levels of service and allow any necessary remedial action to be precisely targeted. At the time this Report went to press, the results of the survey were being analysed with a view to publishing a report in the summer.

National Rail Enquiry Scheme

47. The National Rail Enquiry Scheme (NRES) provides national information on all fares and timetables and also provides callers with telephone numbers for train operators' own dedicated services - e.g. telesales, customer relations and disabled persons' helplines. The Scheme is subject to regulatory performance targets which are to answer at least 90% of all calls, and for 95% of these calls to be answered within 30 seconds.

48. Last year's Annual Report said that the Regulator would shortly be considering proposals for changes to the Telephone Enquiry Bureaux (TEBs) scheme to facilitate the introduction of a single national local rate number.

49. The Regulator approved the proposals from ATOC and, as a result, all TEBs had switched over to the new national number (0345 484950) by October 1996. The linking of TEB sites has, over the year, improved efficiency in call answering by allowing calls to be transferred to the nearest free operator during busy times. For the last three months of 1996-97 Scheme performance improved significantly, with many more calls being answered than ever before. The service has also delivered some improvements to speed of response, although more needs to be done in relation both to capacity and to quality of response.

50. The Regulator has now approved the NRES Business Plan which sets out the industry's intention to let third party contracts for the provision of NRES services, both to increase call handling capacity to meet demand and reduce the costs of provision. The Regulator has been closely involved in the formulation of the conditions which set out the quality standards that are expected of the new suppliers. Built into the new contracts are tougher standards for call answering which will come into effect towards the end of 1997.

51. The Mystery Shopping exercise (see Accurate and Impartial Retailing above) also included the NRES service. The results will provide an indication of performance now, and a standard against which to monitor the future performance of the new third party suppliers.

NRES Performance

NRES answered 42.2 million calls during 1996-97 and is planning further increases in capacity in the coming year. The following table shows the improvements achieved by the NRES system.

Performance measure	1995-96	October 1996 - March 1997 (since full introduction of 0345)
% calls answered	83.5	87
% of these answered within 30 seconds	61.7	79

Routeing Guide

52. The routes which passengers may take on journeys between pairs of stations on the rail network have until recently been neither well defined nor documented. There was a concern that, as a result, the passenger's ability to travel by 'any reasonable' route could be eroded, whether by accident or by design. In conjunction with the Franchising Director, the Regulator required train operating companies (TOCs) to document 'reasonable' routes in a National Routeing Guide of permitted routes. Following an independent verification exercise carried out in association with the Rail Users' Consultative Committees (RUCCs), the Routeing Guide was submitted to the Regulator for approval in September 1996.

53. The Regulator and the Franchising Director approved the Routeing Guide for an initial period of eight months to allow the Guide to be tested in practice and mistakes corrected. A change procedure has been operating through which amendments to the Routeing Guide can be made. The passenger's interests are represented in the change procedure by the involvement of both the Regulator and the CRUCC. A significant number of amendments have now been agreed and added to the Guide which, at the time of going to press, is expected to be submitted shortly for approval.

54. In his last Report, the Regulator made clear that he would not approve a Guide which restricted permitted routes any further than those which were considered reasonable prior to its introduction. The Regulator remains committed to that principle and to ensuring that the passenger's rights to use the rail network flexibly should be protected, and will continue to monitor the operation of the Routeing Guide to ensure it achieves his objectives.

OTHER CONSUMER PROTECTION ISSUES

Insurance

55. All licences (other than the Network (sidings) Licence granted by the Secretary of State to the British Railways Board) include requirements for operators to maintain [insurance against third party liabilities](#) in respect of licensed activities on terms approved by the Regulator. In January 1997 the Office published the third edition of its guidance on insurance, which introduced a number of changes to the minimum requirements which must normally be met for the Regulator to consider insurance and self-insurance acceptable. The most significant change was the new requirement on operators to provide cover for their contractors and sub-contractors over and above the cover provided by the contractors themselves. The new edition of the guidance also announced that the Regulator intended to initiate a group to explore the issues raised by privately owned passenger coaches and freight wagons. This group was set up in March 1997 and is expected to report during the summer of 1997.

56. An operator needs to gain the Regulator's approval to its insurance arrangements before it is first granted its licence(s), and when the arrangements are renewed each year or are otherwise materially changed. During the year the Regulator approved insurance arrangements for each of the operators to whom he granted licences and gave approval to the other operators who sought approval in respect of insurance arrangements that they had renewed.

Claims Allocation and Handling Agreement

57. This agreement, by which operators comply with the Claims Allocation and Handling condition of their licences, provides important protection by ensuring that anybody who makes a claim against the railway can be sure that the claim will be handled properly without themselves having to find out which industry party was actually responsible. It also reduces the potential for excessive litigation by allocating the majority of smaller claims between industry parties on a pre-agreed basis.

58. The agreement includes a review provision to allow practical experience of the operation of the agreement to be fed back into it. That review, undertaken by the Rail Industry Disputes Resolution Committee, began in autumn 1996. As part of the review process, the Regulator set out the consumer protection and public interest objectives the agreement was designed to protect, and made clear that the review should examine how those objectives might be met more effectively. In May, just outside the period of this Report, the review team presented its recommendations, which ORR has accepted in principle. These include further work to implement the review.

Complaints Handling

59. Each passenger and station operator, as a condition of their licence, has to have a complaints procedure in place that has been approved by the Regulator and is based on guidelines issued by him. These guidelines incorporate the Citizen's Charter Unit's principles for effective complaints handling.

60. In addition to individual complaints handling procedures, the industry has developed a code of practice for handling multi-operator complaints so that customers are dealt with by the industry in a coordinated and seamless way. Through our day-to-day monitoring of complaints handling it appears that this code is working well.

61. The Regulator is now developing a proactive system of monitoring complaints and has discussed with the CRUCC a more systematic process for monitoring operators' complaints handling. This will include standardised reports on complaints statistics, and management review processes which will provide the Regulator with information to judge current performance and trends and to identify and disseminate best practice. The industry is currently being consulted on these proposals.

62. The first step towards having an effective complaints system is to ensure that it is advertised widely. The Regulator is looking at ways of surveying operators' compliance with this aspect of their agreed procedures, in conjunction with RUCCs.

Disabled People



Members of the Passenger Services Group inspect plans for improvements to disabled access at Limehouse Station.

63. The Railways Act places a general duty on the Regulator to protect the interests of disabled people. As a condition of their licences, passenger and station operators are required to have, and comply with, a Disabled People's Protection Policy (DPPP). This must

be submitted for the Regulator's approval within six months of the relevant licence coming into effect, and must take into account the Regulator's Code of Practice. All passenger and station operators have now had their DPPP's approved by the Regulator.

64. Following the enactment of the Disability Discrimination Act 1995, the Regulator has worked closely with the Department of Transport, which is developing the regulations which will set standards for the accessibility of passenger rolling stock coming into use after 31 December 1998 (The HSE remains responsible for statutory approvals of new rolling stock under the Transport and Works Act 1992). The regulations will be based closely on the Regulator's Code of Practice. Discussions also started with the Department of Social Security on possible equivalent regulations on accessibility of railway stations. The Regulator expects to launch a review of his Code of Practice later this year to take into account the Disability Discrimination Act and developments in best practice.

65. The Regulator is required to include in this Report general surveys of any developments during the year which relate to the employment by licence holders of disabled people. No such general surveys have been carried out during the reporting year.

Environmental Protection

66. One of the Regulator's statutory duties is to have regard to the effect on the environment of activities connected with the provision of railway services. All licence holders are required by a licence condition to establish a written policy designed to protect the environment from the effect of licensed activities, taking due account of any relevant guidance issued by the Regulator. The current guidance is that issued by the Regulator in March 1996. Written policies have to be established and sent to the Regulator within six months of licences coming into force. As shown in [Appendix 3](#), all but one operator had lodged policies by the end of the reporting year. The remaining operator has since done so.

67. ORR is participating in the Intermodality Working Group, sponsored by the Department of Transport, which is looking at provision for bicycles on all forms of public transport, including trains.

Penalty Fares

68. The vast majority of rail passengers are disadvantaged if a small minority set out deliberately to defraud the railway by not paying their fares. Penalty fares schemes are one way in which train operators can seek to protect their revenue, but it is important that there should be a high level of protection for innocent passengers from wrongly being charged a penalty fare.

69. Following the consultation exercise in 1995, the Regulator published his policy statement in August 1996. The most important change which this policy will require is that all schemes must include within them a right of appeal to a single, independent body established for that purpose. The Regulator held meetings with all the affected operators to discuss with them the practical implications of implementing this and the other changes in his policy statement. Following these meetings, [revised Rules](#) were published and came into effect on 28 April 1997. Under the new Rules existing operators have three months in which to resubmit their scheme to the Regulator for approval, but in the meantime they can continue to charge penalty fares.

70. There were no new penalty fares schemes introduced during the course of the year but one amendment was agreed to an existing

scheme. In total 12 penalty fares schemes are in operation.

Referrals from the Rail Users' Consultative Committees

71. The RUCCs are required by the Railways Act to refer to the Regulator any matters or complaints they have taken up that they are unable to resolve to their satisfaction, subject to a value for money test. The Regulator received one such formal referral from the RUCCs in 1996-97, and completed his investigation and response within the year. The case concerned a claim by a season ticket holder for compensation for service delays on a subsidiary leg of his journey. The Regulator supported the claim for compensation in principle, but as the operator concerned was acting in accordance with its Passenger's Charter, the claimant was not eligible for a discount and the Regulator had no powers to request the operator to make a payment.

72. The rules for compensation under Passenger's Charters provide that season ticket holders can only claim compensation from the operator from whom the season ticket was bought. This means that season ticket holders cannot claim compensation for delays caused by another operator on a subsidiary leg of a journey. The Regulator does not have any locus in Passenger's Charters. They are the responsibility of OPRAF, which does not believe it appropriate to alter existing rules on compensation arrangements. The Regulator intends to ensure that compensation entitlements for season ticket holders are reviewed as part of the industry wide review of the TSA.

LICENSING

73. The Railways Act requires operators of railway assets to be licensed unless they are granted an exemption. Different licences are required for different types of operation - networks, trains, stations and light maintenance depots. The General Authority issued by the Secretary of State authorises the Regulator to grant a licence to any private sector operator but not to a public sector operator other than a subsidiary of BR.

74. The Office has published guidance on how to make licence applications. The guidance, which is revised periodically, sets out the procedure the Regulator would expect to follow in considering applications for the grant of licences. It also explains, in connection with some licence conditions, the requirements or minimum standards he would expect to be met by licence holders.

Licences Granted

75. The process of restructuring BR into separate units in preparation for their sale required these units first to be constituted into subsidiaries of BR. As part of this process the subsidiaries had to be individually licensed in accordance with the Railways Act. The table at [Appendix 3](#) sets out the licences the Regulator has granted to date. Of the three licences granted this year, only Railfreight Distribution was a subsidiary of BR at the time the licence was granted. The licences issued largely followed the standard models published in the guidance documents.

Licence Exemptions

76. As part of the commencement arrangements for the Railways Act, exemptions were granted for certain classes of assets by the Secretary of State for Transport, largely for railway operations which were not part of the national railway network previously provided by BR. The Railways Act provides that any operations starting after the commencement of the relevant sections of the Act, which are not to be subject to its licensing and access provisions, may only be

exempted by the Regulator, after consultation with the Secretary of State. The table at [Appendix 4](#) sets out the five such exemptions granted by the Regulator during the year. At the end of the reporting period 15 further applications were under consideration.

LICENCE COMPLIANCE

77. The previous sections have described the key high profile monitoring and compliance activities begun or carried out during the year. However, there is also a considerable amount of more routine compliance work. Some of this arises from complaints made by passengers which highlight an actual or potential breach of a licence condition or an agreement established under a licence. Some arises from established procedures for reporting or proposing minor changes to approved arrangements. In all such compliance work, the key focus is the effect on passengers and the appropriate balance to be struck between the interests of passengers and the commercial aspirations of operators.

Routine compliance

A considerable amount of day to day compliance work is carried out away from the headline issues, for example:

- monitoring correspondence received for potential licence breaches (e.g. failure of a TOC to sell a through ticket) and follow up with operators;
- scrutiny of all proposals for minor changes to station retailing facilities. Several proposals were not approved during 1996-97 because of the potential disbenefit to passengers; and
- scrutiny of proposed changes to complaints handling procedures to ensure continuing best practice and improvements wherever possible.

Investigations

78. During the reporting year, two licence investigations were completed: into ticketing irregularities at LTS Rail Ltd; and into an allegation by a charter operator of exclusionary behaviour by Rail express systems Ltd (Res). The latter was partly resolved by Res implementing a code of practice in August 1996 (see the section on Charters in Passenger Operator Relations), and in May this year, just outside the period of this Report, by the Regulator requiring Res to take certain additional remedial action.

LTS Investigation

In February 1996, just before the company was due to be franchised, the Regulator became aware of allegations about ticketing irregularities at LTS Rail Ltd which he investigated as a possible breach of condition 7 of LTS's passenger licence. He concluded that a breach had taken place and agreed with LTS Rail and its new owners, Prism Rail Plc, an undertaking about future behaviour. This involved a significant strengthening of compliance and control arrangements within LTS Rail. In a letter to each passenger TOC Managing Director the Regulator highlighted the wider lessons learned from the investigation, including the need for a proactive approach by management to compliance with the new industry obligations.

CORRESPONDENCE HANDLING

79. The Office is always pleased to receive correspondence from members of the public and to learn of their experiences. This helps the Regulator keep matters under review generally, but also provides important feedback on how passengers perceive the performance of the railway. The Office aims to provide correspondents with the most appropriate response, whether this is achieved by investigation of the issues by ORR, or by referring correspondents with specific complaints to the appropriate stage in the complaints procedures operated by the TOCs. At times, this may involve referring a correspondent to the appropriate RUCC, which have liaison arrangements with TOCs and other organisations.

80. The Office has experienced a significant increase in the volume of correspondence received during the last year. This can largely be attributed to increased public awareness of the Rail Regulator and his Office. Specific issues, such as the cancellation of South West Trains' services and the passenger's interest in the introduction of the Routeing Guide, have also contributed to the volume of correspondence received, even though the former is in fact the responsibility of the Franchising Director and not the Regulator. During 1996-97, 868 letters were received by Passenger Services Group, which is twice the number received during 1995-96. Last year we reported an average response time of 17.6 calendar days and our commitment to improve our performance in this area in line with Citizen's Charter principles. We are pleased that our average response time for correspondence has been improved this year to around 15 working days.

81. The Office is currently developing detailed correspondence handling procedures which will set out the principles and standards to be applied in dealing with public correspondence, including contacts by telephone and e-mail.

CORRESPONDENCE BY MAIN TOPIC/ISSUE RAISED 1996-97

Train performance and quality of service	170
Fares, ticketing and refunds	152
Station closures	129
Information provision, timetable and connections	128
Routeing Guide	105
Telephone Enquiry Bureaux	48
Special needs	26
Station quality	25
Safety and security	24
National Conditions of Carriage (general)	19
Other	42
TOTAL	868

PASSENGER OPERATOR RELATIONS

FRANCHISING AND CHANGE OF CONTROL

82. Licences issued by the Regulator require him to be notified where there is a change of control of the licensee and provide that the Regulator may approve the change of control or, if he objects, revoke the licence after appropriate notice. Such a change of control occurs on franchising where, as part of the arrangements for franchising, the train operator is sold to the franchisee.

83. The Regulator has continued to be involved in franchising at an early stage of the process to ensure that the process works smoothly and to maximise his ability to promote the interests of passengers. The Franchising Director is obliged under the Railways Act to consult the Regulator about the companies to whom he intends to issue invitations to tender for franchises. During the year, the Office considered 80 pre-qualification applications for 15 franchises. This enabled the Regulator to advise the Franchising Director of the view he was likely to take about the suitability of the bidders and what further information he was likely to need were he to be asked to approve a change of control. The Regulator was also consulted by the Franchising Director on the Passenger Service Requirements for 15 train operating companies and on various other documents relating to franchising, such as Passenger's Charters.

84. The Office has worked closely with the Franchising Director to ensure that the Regulator's consideration of changes of control of licensed operators has been as efficient as possible. It has held a large number of meetings with companies interested in bidding for franchises, and liaised closely with the preferred bidder selected by the Franchising Director as part of the franchising process. In deciding whether to approve a change of control, the Regulator considers the ability of the bidder to meet obligations under licences, including those with a financial obligation such as insurance, and the impact on the competitive environment. This year the Regulator has approved 23 changes of control of passenger train operators. He attaches particular importance to meeting the new owners and senior management of the franchisees to discuss their future plans and to explain the regulatory environment.

LIAISON WITH LOCAL FUNDING BODIES

85. The Regulator believes that it is important to liaise with local funding bodies to improve his understanding of their priorities and aspirations. In line with this, ORR staff visited five of the seven Passenger Transport Executives (PTEs) this year with a view to understanding the issues that were of concern to them, and to explain how the regulatory regime might affect those concerns. In addition, ORR staff have met representatives of local authorities through the Association of Transport Co-ordinating Officers, the Association of County Councils and, towards the end of the year covered by the Report, the Local Government Association.

STATIONS

86. Under sections 17 to 22 of the Railways Act, the Regulator supervises access by train operators to railway facilities, including stations. Access agreements giving operators permission to use railway facilities and amendments to such access agreements must, with limited exceptions, be approved by the Regulator. If an operator wishes to use a railway facility operated by someone else and is unable to agree terms, the Regulator can direct that access be granted on terms set by him. (Access to track and light maintenance depots is dealt with by the Railway Network Group and is covered in the section on Access to the Railway Network.)

87. The Regulator must also approve amendments to station access agreements if they are to have legal effect. Amendments may be part of the process to enable an individual scheme of works at a station to

take place, for example the provision of improved amenities as a result of major refurbishment work. The Regulator seeks to work constructively with station operators to find ways of simplifying the rules and procedures governing station access. This is to ensure that the regulatory burden on companies in this area is no greater than is strictly appropriate in the circumstances to achieve a proper balance between the interests of passengers, train operators and Railtrack.

88. During the year the Regulator took action to simplify the procedures that companies need to follow to amend their station access agreements. For example, major construction work at a station which changes the facilities available to passengers will normally mean that the access agreements need to be amended to record the changes that are agreed by the operators involved. The Regulator has simplified the procedures by issuing a number of General Approvals of amendments to access agreements. A General Approval means that all amendments of a specified kind are approved. This simplifies regulatory procedures because companies do not need to obtain the Regulator's approval to individual changes if they are covered by a General Approval. The benefits of such measures are expected to include reductions in transaction costs within the industry and mean that physical changes can be agreed and documented more easily, reducing delays in the delivery of schemes which improve the facilities available at stations. See [Appendix 5](#) for a list of all General Approvals issued by the Regulator during the year.

Station access agreements

During 1996-97 the Regulator approved 34 station access agreements; 24 of these involved the operation of charter services. Fifty seven specific approvals were given to amendments to station access contracts; 36 of these approvals were to adjust the term of the station access contract to match the term of a franchise agreement awarded by the Franchising Director. In all, eight General Approvals have been given to allow amendments to access agreements, and seven other approvals have been given to particular matters arising under station access agreements including, for example, the approval of the management fees charged to users of stations operated by Railtrack.

CLOSURES

WAGN personnel greet John Rhodes (3rd left), Charles Brown (centre) and the Regulator (2nd right) during a visit to their company.



89. The Regulator has a key function in relation to closure proposals. Operators need to obtain the Regulator's consent to any proposals to terminate the use of, or close, parts of the network, or stations or facilities used for or in connection with railway passenger services, or if they wish to withdraw all the passenger services on any line, or to or from any station.

90. The scope of the legislation is wide. For example, proposals to close *parts* of stations and light maintenance depots require consent. Closures are considered under one of two processes. There is the so-called 'full' closure process, where the details of the proposed closure are published so that objections can be made, and RUCCs enquire into the potential adverse effects of the closure and report to the Regulator. Alternatively, the Regulator may certify a proposed closure as a 'minor' closure, in which case it does not need to be dealt

with under the full process. The term 'minor' is defined in the Railways Act in relation to each type of proposed closure. The Regulator will need to be satisfied that the tests in the Railways Act are met before issuing a certificate for any minor closure. This will involve assessing the impact on passenger services.

91. During 1996-97 the Regulator certified as minor closures one case involving part of a light maintenance depot and ten cases involving parts of stations. At the end of the year a further eight cases were under consideration. In addition to the cases listed at [Appendix 6](#) there have been a wide range of enquiries from companies about whether a particular proposal should be considered under this process.

92. During the year the Regulator gave his consent to three proposed closures under the 'full' closure process. The case of Windsor and Eton Central station involved the closure of 60 metres of track within the station. The Regulator consented to the closures of both Smethwick West and Filton stations on the basis that new stations had been opened close by which offered a wider range of journey opportunities and better facilities for passengers. In May this year, just outside the period of this Report, the Regulator consented, subject to certain conditions, to proposals to close Wrexham Central station so that a new station, offering better facilities, can be constructed nearby. The Regulator's conditions addressed the concerns expressed by objectors to the scheme and the RUCC for Wales regarding access routes to the new station and its operational capacity. They also ensure that during construction of the new station passenger services cannot be interrupted for a sustained period.

93. The Office has worked with representatives of the CRUCC and RUCCs to develop comprehensive advice for the RUCCs on their role in relation to proposed closures. The advice, which has been formally adopted by the CRUCC, seeks to assist the RUCCs to adopt consistent approaches to their handling of closure proposals.

CHARTERS

94. In April 1996 the Regulator published his report on the charter train consultation exercise carried out at the end of 1995 and beginning of 1996. The Office received 60 responses to the exercise, many of which were in broad agreement with the Regulator's analysis. A number of new concerns also came to light allowing the Regulator to alert the relevant parties to these problems. In line with recommendations made by the Regulator, codes of practice have been published by Rail express systems Ltd and the British Railways Board (BRB) after consultation with ORR. The latter was subsequently endorsed by ATOC as a basis for charter work by its members. A code of practice was also issued by the Association of Charter Train Operators (ACTO) which held its first annual conference in November with the Regulator as keynote speaker.



ANNUAL REPORT 1996/97

OFFICE OF THE RAIL REGULATOR

RAILWAY NETWORK GROUP

Contents

Home



From left to right: Martin Brennan; Charles Brown, Group Director; David Chapman; Carolyn Griffiths; Amjid Saeed; Annette Eggington.

Railway Network Group is organised in three divisions. Network Regulation Division deals with the regulation of Railtrack, the access regime for access to track, and regulation of light maintenance depots. Freight Regulation Division deals with the regulation and promotion of rail freight, including the licensing of freight operators. Technical Services Division deals with safety issues as well as advice on railway engineering and operating specialisms. The Group also deals with matters relating to EU Policy Development.

RAILTRACK

95. Railtrack was floated on the Stock Exchange in May 1996. As reported in last year's Annual Report the Regulator published a statement for inclusion in the prospectus outlining the approach he intended to take to the regulation of Railtrack as a private sector company.

STEWARDSHIP OF THE NETWORK

96. During 1996-97 the primary focus was on monitoring how effectively Railtrack carried out its stewardship obligations in respect of the railway infrastructure. As outlined in last year's Annual Report, in addition to the monitoring by train operators through their access agreements with Railtrack, the Regulator sought to ensure that he had sufficient information through:

- the Network Management Statement;
- key performance indicators; and
- financial information.

Network Management Statement

97. Railtrack's annual Network Management Statement, a requirement of its Network Licence, sets out its plans for the renewal and development of the network. The form and period must be approved by the Regulator. The Regulator has sought to ensure that the Statement is such as to:

- help him, Railtrack's customers (such as train operators), providers of funds to the railway, and the wider public, to monitor how effectively Railtrack is planning for, and carrying out, maintenance, renewal and enhancement of the network; and

- develop a shared understanding among those involved in the industry of the plans Railtrack has for the management and development of the network and the criteria it has adopted to produce these.

98. The Regulator made it clear to Railtrack that he expected the form and period would achieve these objectives and, with this in mind, the Regulator and Railtrack published in September 1996 a joint consultation document on the form and period of the Statement. Following this consultation, the Regulator approved a form and period requiring Railtrack to set out its forecasts of demands on the network and its plans for dealing with them, and considerable detail on its expenditure plans - including disaggregation by asset category and Railtrack zone - for the next ten years.

Railtrack's February 1997 Network Management Statement

Railtrack published its first Network Management Statement as a private sector company in February 1997. Following analysis of the Statement the Regulator wrote in April 1997 to the Chief Executive of Railtrack outlining comments on the Statement and actions he required of Railtrack. These comments were subsequently [published](#).

Reflecting the form and period approved by the Regulator, the Statement contains more information, set out in a more systematic way, about plans for renewal and development of the railway than has hitherto been published. However it is only a series of plans, and the key is delivery. Therefore the Regulator indicated that he would be seeking further information from Railtrack to enable him to monitor progress more effectively. Furthermore he would expect to work with Railtrack to develop measurable benchmarks and targets for the quality and capability of the railway resulting from the programme.

The Regulator considered that in a number of ways the Statement was not adequate in achieving his objectives for it and he expected Railtrack to make significant further progress, reporting back to the Regulator. These areas included:

- forecasts of demand for network capacity and actions Railtrack was taking in response;
- how Railtrack was responding to customer needs in terms of its renewal and development plans;
- more specific detail on the programme for stations and depots; and
- the plans in respect of freight.

In the light of the Statement, the Regulator concluded that he should seek stronger powers to ensure *delivery* of Railtrack's investment commitment, and he opened discussions with Railtrack on a possible amendment to Railtrack's Network Licence to give due powers.

Key Performance Indicators

99. In December 1996 Railtrack published its first key performance indicators showing the capability and reliability of the network. These were not a requirement of its licence, but were published at the suggestion of, and by agreement with, the Regulator. The first indicators showed significant reduction in the amount of train delay attributed to Railtrack, reflecting the effect of the new performance incentives, most of which came into operation in December 1995. Over time these indicators should help demonstrate how effectively Railtrack is meeting its stewardship obligations.

Financial Information

100. The Regulator continues to review Railtrack's financial

performance as part of his overall monitoring programme. As described in the section on Regulatory Accounting and Financial Monitoring, he has specified the basis on which financial information is provided to him.

101. Railtrack's half year accounts for 1996-97 showed that in a number of key areas, especially stations and depots, Railtrack has failed to increase expenditure to planned levels. The Regulator considered this performance was wholly unacceptable, and made this clear to Railtrack, and publicly.

REGULATORY OBJECTIVES FOR RAILTRACK

102. In January 1997 the Regulator published his [objectives for Railtrack](#) and presented these to the Railtrack Group Board. He set out four key principles for Railtrack in the renewal and development of the network:

- Railtrack should in a timely fashion renew the railway infrastructure in the appropriate modern equivalent form.
- Railtrack should take a proactive and positive approach to the development of the railway network in a way which reflects the needs of its customers and of rail users.
- Railtrack should make good the current shortfall in expenditure in an efficient and effective way.
- Railtrack's plans and investment approval progress should ensure delivery of these objectives.

In the foreground, John Rhodes (far left) and Michael Beswick (far right) with Railtrack personnel at Stockport signal box during a visit to Railtrack's North West Zone.



103. In addition, the Regulator set out a number of other objectives for Railtrack reflecting its central role in the railway. These included promotion of network benefits, promotion of freight, developing a more market-based approach to charging, and the improvement of change procedures for standards. More detail on progress on these issues is set out in the appropriate sections of this Report. [Appendix 7](#) sets out the regulatory objectives in full.

PROPERTY INCOME

104. When he reached decisions on the future level of Railtrack's access charges in January 1995, the Regulator allowed for about £1 billion of property income over the six years from 1995-96 to 2000-01. He also decided that, if Railtrack's property income exceeded this figure, a share of the excess should be passed back to train operators through a rebate of access charges. Following consultation on the basis for this sharing, the Regulator issued a Notice in August 1996 to put the arrangements formally in place. For 1995-96 and subsequent years, 25% of any excess of net property income, over and above the amounts already allowed for in access charges, will be rebated to train operators.

105. There was no rebate in respect of 1995-96. Final figures for 1996-97 are yet to be submitted by Railtrack.

YEAR 2000

106. In March this year the Regulator participated in a conference organised by Railtrack on the implications of the year 2000 for

railway industry computer systems. He made it clear in a keynote speech that he expected the industry to continue to meet its obligations to customers and its licence and contractual obligations, and that effective plans were needed to deal with the year 2000 problem. He welcomed the lead thus far taken by Railtrack.

ACCESS TO THE RAILWAY NETWORK

PASSENGER SERVICES

Track

107. Initial access agreements between passenger train operators and Railtrack were put into place and approved by the Regulator during the two years up to March 1996. During 1996 the regulatory focus shifted to the scrutiny and approval of amendments to these agreements. Train operators sought to amend their access rights to enable them better to meet the needs of their customers and the changing market environment. Funding authorities sought to ensure their requirements could be achieved.

108. Key changes to access agreements included:

- Amendments required by the franchising programme. Generally the Regulator approved extension of agreements to match the normal franchise period (approximately seven years). In two cases (South Eastern Trains and InterCity West Coast) a longer period was agreed reflecting the investment commitments contained in the franchise agreements.
- Amendments to the InterCity West Coast access agreement to create the option of upgraded passenger services.
- Amendments governing the implications for the Railtrack network of the construction of the Channel Tunnel Rail Link and Thameslink 2000.
- Amendments negotiated by train operators to enable them to meet customer needs. Where the Regulator considered these would have a material impact on other operators, those other operators were consulted before the Regulator made a decision. Indications are that during 1997-98, new operators will be seeking a much larger number of changes to their rights in order to enable them to expand services.

West Coast Main Line

In October 1996 the Franchising Director and Railtrack agreed the terms of an amendment to the access agreement for InterCity West Coast designed to allow the operation of 125 mph tilting trains and asked the Regulator whether he would be minded to approve it. The Regulator examined the proposal and carried out extensive consultation with industry parties. As a result he concluded that much greater flexibility would need to be introduced into the proposed rights to timetable slots in order to avoid undue constraint on Railtrack's ability to meet aspirations of other passenger and freight operators on the route. He also sought and obtained assurances from Railtrack as to the approach it proposed to take to the involvement of other operators in the development of the renewal and upgrade programme. After taking into account an analysis provided by the Franchising Director he agreed to limit competition on key flows to and from London until the end of the agreement in 2012.

The Regulator announced these conclusions to the industry in December 1996, following which amendments to the West Coast access agreement incorporating

the Regulator's conclusions were submitted and approved. In addition, the Regulator advised Railtrack of the approach he would be minded to take to the agreed charges in approving access agreements and at future periodic reviews.

Regional Railways North East personnel show the Regulator (2nd left) around Heaton Traincare Depot on Tyneside.



109. The Regulator considered these amendments on the basis of the principles set out in his published criteria documents. The primary concerns were to ensure that capacity on the network was shared in accordance with public interest criteria and that charging

arrangements were fair. In many cases the Regulator gave informal advice to the parties before formal submission of amendments for approval so that the parties knew what the Regulator would be prepared to approve.

110. Two particular issues which the Regulator needs to consider before approving proposals from train operators for additional access rights are the additional access charges payable to Railtrack and whether the benefits of additional services competing with other operators outweigh the potential disbenefits to those operators and their customers.

111. While Railtrack and train operators are free to negotiate the additional access charges payable in respect of new services, the Regulator has set out the criteria he would expect to be included in that negotiation. He would expect Railtrack to assess the impact of the new service on its costs, including maintenance of the existing network and any enhancement needed to accommodate the new services, and on expected performance regime payments to other operators, as a result of additional congestion on the network. The Regulator would not generally require Railtrack to make new access rights available at less than the additional costs it incurred. Where the new services are expected to generate a profit he also recognises that it may be appropriate for Railtrack to share in that profit. The extent to which he does so depends in part on the risk it is taking. For example, if Railtrack is prepared to share in revenue risk, by basing the charge on the performance of the new service, then it might reasonably take a higher share of expected benefits.

112. The Regulator has set out, in a letter to TOCs and to Railtrack, the information he would expect to see in support of proposed additional access charges to enable him to assess whether these criteria have been met. He has also written to TOCs setting out the approach he will adopt in judging whether the passenger benefits of new services - in terms for example of higher frequencies and new service opportunities - are likely to be outweighed by any detrimental impact on existing services run by another operator.

Thameslink 2000

113. In the case of the Thameslink 2000 project the Franchising Director, Railtrack and the Secretary of State agreed the principles of the upgrade in advance of the flotation of Railtrack, but it was decided that the Franchising Director and Railtrack would agree an access agreement later. The Regulator did however give Railtrack advice as to the approach he would expect to take to approval of the proposed charging arrangements.

114. During the year the Regulator approved a number of changes, agreed by the industry, to the Track Access Conditions contained in every access agreement. These largely focused on improving the arrangements for timetabling the network. In his 1995-96 Annual Report the Regulator stated that he intended to review these timetabling arrangements during 1996. He subsequently concluded that this review should be delayed to allow more experience to be gained of the operation of the existing processes, but proposes to conduct this review in 1997.

115. The Regulator issued a number of General Approvals enabling short term changes to be made, with specific regulatory approval, to access agreements in a way that did not impact on another operator.

Light Maintenance Depots

116. The provision of train maintenance services is critical to train operators. The access agreements governing the provision of light maintenance services (essentially those needed to keep the trains running from day-to-day) are important contractual arrangements. In many cases one operator is critically dependent on another operator's depot.

117. During 1996-97 the focus was on completion of the light maintenance depot access agreements enabling franchised passenger operators to use each other's depots, and the approval of these agreements by the Regulator. The Regulator approved 232 depot access agreements at 65 depots, and also 70 connection agreements covering the link between depots and the Railtrack network. In considering, and where appropriate amending, these agreements he sought to ensure an appropriate balance of flexibility and commitment, recognising that maintenance arrangements are likely to change over time. He also sought to ensure that the initial charges were fair.

118. As a result, agreements approved by the Regulator are now in place at virtually all the passenger light maintenance depots. In order to avoid unnecessary regulation of changes where there was likely to be no public interest concern, the Regulator, after consulting the industry, issued nine General Approvals and one General Consent enabling changes to be made to agreements without the specific approval of the Regulator (see [Appendix 5](#)). In order to create a more effective focus on the regulation of depots, responsibility for the exercise of regulatory functions for depots was brought within one team in the Network Regulation Division.

FREIGHT

119. The Railways Act places a specific duty on the Regulator to promote the carriage of goods by rail.

120. As in other aspects of the Regulator's work, this year has seen a transition from the focus on putting into place initial licensing and contractual arrangements for the restructured industry companies, to a new focus on making the new relationships work, and facilitating change in the public interest.

THE NEW INDUSTRY STRUCTURE

121. Rail freight now has two monopolies - one providing the network, the other providing most of the train services.

Railtrack

122. Railtrack is a natural monopoly and holds a central position in the railway industry. Its performance is critical to the achievement of a better railway for freight users. In his published objectives for Railtrack (see [Appendix 7](#)), the Regulator stated that he expected Railtrack to promote the use and development of the network for freight to the greatest extent economically practicable, through its contractual arrangements and customer relationships, its operation and planning of the network, and investment in infrastructure. In addition to the activity described elsewhere in this Report, the Regulator has secured Railtrack's commitment to the development and implementation of a comprehensive freight strategy and the publication of a code of practice on how it will behave in respect of freight development and its relationship with freight users. These will form both a demonstration of Railtrack's commitment to freight, and a basis of public accountability which the Regulator will continue to monitor.

English Welsh and Scottish Railway (EWS)

123. Having acquired most of the former BR freight business, English Welsh and Scottish Railway Holdings Ltd (EW&SH) now controls around 80% of the rail freight market. This has allowed real prospects for rail freight growth through EW&SH's investment programme and securing benefits of scale and scope, but has also led the Regulator to act to prevent any possible abuse of market dominance. Accordingly:

- The Regulator has agreed changes to the licences of train operators controlled by EW&SH - EWS and Res - so that the licences remain fit for their purpose and continue to reflect the protections required.
- For much of the year EWS was in negotiation with Railtrack about a proposed new 'unified' track access agreement which would replace most of the large number of existing, mainly customer-specific, access agreements between the two companies. The Regulator gave guidance to the two companies on a number of occasions, as the form of the agreement was developed, as to the public interest issues that it was likely to raise and which would need to be addressed. The document, in a form agreed between the parties, was formally submitted for the Regulator's approval on 17 March 1997. The Regulator, meanwhile, approved a number of short term extensions to EWS's existing agreements pending submission of, and his decision on, the new 'unified' agreement.

EWS Licence

EW&SH completed its acquisition of Transrail Freight, Mainline Freight and Loadhaul in early 1996, following its previous acquisition of Res. The former 'Trainload Freight' companies were then re-organised: Mainline and Loadhaul ceased to trade, and Transrail was renamed English Welsh & Scottish Railway Ltd (EWS). In accordance with the guidance given to EW&SH prior to the sale, the Regulator sought, through modifications to the licences of EWS and Res, to ensure that the interests of customers remained protected in a limited competitive environment for freight train operator services. The Regulator reached agreement with the licence holders on these modifications and the required statutory consultation on the proposed modifications took place during March and April 1997. Modifications to the licences were subsequently made in May, just outside the period of this Report.

CHANNEL TUNNEL

124. During the year the number of through freight services using

the Channel Tunnel has significantly increased. The Regulator has sought, in approving both passenger and freight track access agreements, to maintain the flexibility of the routes to and from the tunnel which will allow this growth to be maximised. He has also, through his involvement in the European Commission (EC) 'High Level Group', sought to develop this business by promoting the creation of international 'Freight Freeways'.

125. In June 1996 the Government decided to proceed with the sale of Railfreight Distribution (RfD), which operates through freight services using the tunnel. The Regulator granted licences to RfD in October 1996 and gave advice to the Office of Fair Trading on competition aspects of the sale, which qualified for investigation under the Fair Trading Act. Contracts for the sale were exchanged between the BRB and a wholly owned subsidiary of EW&SH in March 1997. The Regulator has agreed with EW&SH a package of licence modifications for RfD, similar to that for EWS and Res, which will proceed to statutory consultation if the sale (which requires EC clearance) is completed.

THE FREIGHT INDUSTRY

126. During the year the Regulator worked closely with the Department of Transport on a number of initiatives, with the aim of furthering the development of the freight industry in general and rail freight in particular. These included:

- the sale of RfD;
- improvements to the Freight Facility and Track Access Grant Schemes;
- the consideration of the effects of increased lorry weights; and
- the nature of the security regimes required at Euroterminals in order to satisfy the public interest.

127. The Regulator attaches great importance to maintaining close contact with the industry. Opportunities have been taken during the year to make site visits to view rail freight operations at first hand, and to meet a wide spectrum of industry representatives.

128. Throughout the year the Regulator has sought to promote rail freight in accordance with his duties under section 4 of the Railways Act, and as a further step towards ensuring rail freight's continuing development, he commissioned a research study in March 1997 on "The Potential for Rail Freight". The consultants' final report is expected in June and the results of the study will form the basis of a programme for action designed to take the rail freight industry forward.

TECHNICAL SERVICES

The operation of points is demonstrated to Annette Eggington of the Freight team (2nd left), while other ORR staff look on, during railway operations training at the College of Railway Technology, Clapham, organised by the Technical Services Division.



SAFETY AND STANDARDS

129. Ensuring the safety of those who travel and work on the railway is an overriding concern for all involved in the provision and regulation of rail services. The Railways Act places a statutory duty on the Regulator in exercising his functions "to take into account the need to protect all persons from dangers arising from the operation of railways, taking into account, in particular, any advice given to him in that behalf by the Health and Safety Executive". The Health and Safety Executive

(HSE) is responsible for the regulation of health and safety on the railway network.

130. The Regulator has continued to work closely throughout the year with the HSE to satisfy himself that his duty in relation to safety on the railway has been discharged. The Regulator and the HSE have ensured mutual cooperation and clarity on their respective roles and responsibilities in a Memorandum of Understanding. Regular meetings take place between senior staff of both organisations and detailed working arrangements based on the Memorandum of Understanding have been put in place and kept under review during the year. In particular the Regulator and the HSE have agreed arrangements for the HSE to report to the Regulator when operators are in serious breach of their Safety Cases or are failing to comply with Railway Group Standards in a material fashion. There were no reports of serious breaches of Safety Cases in 1996-97. However, three reports were received of cases of material non-compliance with Railway Group Standards (The first two of these reports were actually received at the end of March 1996, but the Regulator's consideration of them took place during this reporting year). In all these cases the HSE, as the safety regulator, took appropriate action to bring the relevant operator back into compliance and the Regulator, in consultation with the HSE, decided that it was not necessary to exercise the powers available to him.

131. Railtrack's Network Licence includes the requirement to comply with Railway Group Standards but has an important additional requirement for Railtrack to establish a commercially independent Safety and Standards Directorate and for the Directorate to prepare a Railway Group Standards Code.

132. The primary and overriding purpose of the Railway Group Standards Code is to ensure the safe operation of Railtrack's network and the trains operated over it. The Code must also have due regard to a range of considerations, based on the Regulator's duties under section 4 of the Railways Act, which seek to ensure that Group Standards are developed in a manner which promotes the efficiency and development of the railway network in the interests of users. The Code authorises the Railway Group Standards in force at 31 March 1994 and defines procedures involving industry parties for authorising new standards, and for amending or abolishing existing standards. It contains procedures by which industry parties may challenge Group Standards and provides for ultimate appeal, by participating railway operators, to the Regulator. In considering such appeals, the Regulator will act with the benefit of advice from the HSE. There have been considerable changes to Railway Group Standards during the year 1996-97 but to date there have been no appeals to the Regulator under these provisions.

133. The existing Railway Group Standards Code was prepared in 1994. Since then there has been much change in the restructuring and privatisation of the industry. In the light of these changes in the industry the Regulator has been working closely with Railtrack to establish how the Code could be improved to meet the Regulator's public interest objectives.

Review of the Group Standards Code

The main issues which the Regulator expects the Review of the Group Standards Code to address are:

- How the industry will have input to the strategic overview and prioritisation of Group Standards changes.
- Procedures which readily enable industry parties themselves to propose Group Standards changes. These procedures would include means of providing network information and resources. Railtrack's Safety and

Standards Directorate will be required to facilitate change proposals.

- Criteria for determining decisions on Standards or appeals by Railtrack reflecting the objectives in Railtrack's Network Licence.
- Consultation arrangements which include appropriate industry parties.
- Procedures for decisions on Railway Group Standards and procedures for appeals.
- Railtrack Safety and Standards Directorate's criteria and procedures for itself reviewing and initiating changes to Group Standards, and the means for industry involvement in this.
- Criteria for sharing costs of determination.
- A process for future revisions of the Code, and the nature of the industry involvement.

134. During the year the industry has expressed concern over Railtrack's processes for acceptance of new rolling stock onto the network. Railtrack undertook a review and has since developed new procedures. The Regulator expects Railtrack to incorporate these procedures into the contractual matrix in order to set out clearly the obligations, rights and processes for parties to propose change in the light of experience.

POLICY ADVICE AND CASEWORK

135. The Technical Services Division, in addition to policy work on Safety and Standards, provides Office-wide policy and casework advice on railway engineering and operating specialisms.

136. In the approval of access agreements the Division has played a key role in evaluating the impact of new or modified track or depot access agreements. It led the development of light maintenance depot General Approvals, which are more fully reported in the Access to the Railway Network section of this Report. The Division similarly assesses the potential operating impact of depot, track and station closures.

137. There is a particular need to look at both the engineering and operating implications of major infrastructure projects. Two such projects which have required regulatory review during their development are the West Coast Main Line upgrade and Thameslink 2000. Similarly there has been an important need for both engineering and operating assessment of Railtrack's overall plans for maintenance, renewal and enhancement of the network.

138. The Division led the development of Railtrack's Key Performance Indicators, which are designed to reflect the condition of the network and are more fully reported in the Railtrack section of this Report.

139. The Division has given significant guidance in the development of the Routeing Guide and has reviewed Passenger Service Requirements to ensure passenger interests are protected.

140. The Technical Division has worked closely with the industry in understanding the problems brought about by developments in information systems essential for access to the Network, and in particular the challenge brought about by the year 2000 date change. Following the recent Railtrack conference on the year 2000, referred to in the Railtrack section of this Report, the Regulator will be

monitoring developments; the Technical Division providing advice and guidance.

EU POLICY DEVELOPMENT

141. European Union (EU) legislation on railway 'open access', both existing and prospective, is likely to have an increasingly important bearing on the development of the UK network in the coming years. Having been closely involved in the implementation of the restructuring of Britain's railways, the Regulator is seeking to take an active role in the formulation and implementation of policy in this area in such a way as to preserve and build on the strengths of the domestic regime and encourage the use of rail for international passenger and freight traffic throughout the EU.

142. EU Council Directive 91/440 EEC, implemented into UK law by the Railway Regulations 1992, amongst other things *ensures* access to the networks of Member States for a *limited* class of international services. These Regulations (subsequently amended in 1994) also established the office of International Rail Regulator (IRR) to which John Swift was subsequently appointed. Two further 1995 Council Directives on licensing and the allocation of infrastructure capacity are due to be implemented into UK law this year. These are designed to reinforce the ability of prospective open access operators (for this limited class of services) to obtain access to the EU network on non-discriminatory terms. In August 1996 the EC published a White Paper entitled "A Strategy For Revitalising The Community's Railways", which establishes a longer term agenda for the reform of the Community's railways. The White Paper contains a number of proposals designed to take forward the restructuring programme, including measures aimed at reducing the burden of debt and promoting the further introduction of market forces.

143. The Regulator has been involved in three principal activities during the year. First, discussions commenced with the Department of Transport on the content of the legislation required to implement the two 1995 Directives into UK law. The implementation of these Directives is likely to increase the functions of the IRR. The Regulator's objective has been to seek to ensure that, as far as possible within the constraints of the Directives, the implementing regulations complement, rather than potentially undermine, the domestic licensing and access regimes.

144. Second, the Regulator gave oral and written evidence in December 1996 to the inquiry into the White Paper undertaken by the House of Lords Select Committee on the European Communities. In his evidence he welcomed the Commission's proposals for the restructuring of the EU's railways. The Committee Report, entitled "Community Railway Strategy", was published on 18 February 1997 (HL Paper 46).

145. Third, drawing on his experience of overseeing the restructuring of Great Britain's railways and working closely with the Department of Transport, the Regulator has been advising the Commission on how the White Paper proposals might be taken forward. He has called for an approach on liberalising access which combines extension of the scope of open access with a review of the current EU licensing and access rules and consideration of measures to assist the financial restructuring.

146. One of the important proposals in the White Paper is the Trans European Rail Freight Freeway (TERFF) initiative, which is aimed at

developing international rail freight quickly within the existing legislative regime. It involves the creation by the relevant infrastructure managers of a 'one-stop shop' to coordinate and improve the pathing of international freight and to agree charges with train operators on behalf of the infrastructure managers. The Commission has established a High Level Group of representatives of Member States to develop principles for the operation of TERFFs. The Regulator is now represented on the Group and is helping to ensure that important questions such as capacity allocation criteria, charges and performance incentives are addressed.



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OFFICE OF THE RAIL REGULATOR

ECONOMIC REGULATION GROUP

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From left to right: Michael Riordan; Phil Smith; Andrew Walker; Chris Bolt, Group Director; Sonia Brathwaite; and Alfred Helm.

The Economic Regulation Group has policy responsibility for mergers and competition policy, policy on Railtrack charges, finance and property funding, and for the general development of economic regulation. It provides economic, accounting and financial advisory services to other parts of the Office. Work in support of the overall regulation of Railtrack, and on access charging issues for passengers and freight, are described in the relevant chapters.

DEVELOPMENTS IN INDUSTRY STRUCTURE

MERGERS

147. Each franchise award represents a merger situation under the provisions of the Fair Trading Act and may qualify for investigation by the competition authorities. The Regulator has no functions in respect of mergers, but has advised the DGFT on the implications of each award for competition in the rail sector. This advice has followed the broad criteria published by the Regulator in March 1996, and has sought to maintain the opportunities for competition between franchisees, given the limited scope for open access entry at least until 1999.

148. In the event, the degree of concentration (i.e. the number of commonly owned companies) within the industry is low, with 13 different groups owning the 25 franchised train operators, and there has been very little loss of opportunities for competition. Only in three cases (CrossCountry Trains, Central Trains and Midland Main Line) has the Regulator considered it necessary to seek renomination of flows protected from competition (see Moderation of Competition below) because competing train operators have come under common control. He issued the relevant Notice on 21 March 1997, and aims to complete the process by the end of June.

149. Although the franchising process has generally maintained competitive opportunities between franchisees, the involvement of bus and coach companies has raised concerns of loss of competition between rail and other modes. One franchise award - that of Midland Main Line to the National Express Group - was referred to the MMC by the Secretary of State for Trade and Industry for this reason (Two further franchise awards, ScotRail and Central, were referred to the MMC in June 1997). The Regulator gave written and oral evidence to the MMC, arguing that the loss of competition between coach and rail services for leisure travellers between London and the East Midlands would be against

Senior Economist Andrew Walker greets a delegation for Japanese Railways, visiting ORR to learn about the economic regulation of the UK rail industry.

the public interest. The MMC concluded that the merger could be expected to operate against the public interest, and recommended behavioural undertakings on coach fares and frequencies.



150. Two of the rolling stock companies (ROSCOs) have changed hands during the year. The acquisition of Porterbrook by Stagecoach, which also controls South West Trains and Island Line, has brought a degree of vertical reintegration within the industry. The

Regulator consulted on the possible public interest implications of this merger, and provided advice to the DGFT on it. The Secretary of State for Trade and Industry ultimately decided that behavioural remedies (in terms of fair trading provisions and confidentiality arrangements) should be sought from Stagecoach and Porterbrook in lieu of a reference to the MMC. The companies gave the necessary undertakings to the Secretary of State in December.

151. The acquisition of Eversholt by Forward Trust Limited did not give rise to competition concerns.

MODERATION OF COMPETITION

152. During the year the Office has continued to work to put into effect the Regulator's policy on competition for passenger services which was published in December 1994. The purpose of the policy was to give sufficient protection to the core businesses of passenger operators to facilitate their successful franchising to the private sector - a process which has now been completed. The policy confines on-rail competition almost wholly to that permitted by franchised operators' existing access agreements until 1999. Then, for the following three years, markets will be opened up to further competitive opportunities, though still subject to a cap on the level of each franchise operator's revenue which would be exposed to that risk.

153. In July 1996, the Regulator issued the last of the Notices setting out the flows that would be protected from competition during Stage I of his moderation of competition policy. Stage I was then formally initiated on 2 August 1996. Copies of the Notices setting out the protected flows (though not their value to the operator) are held on ORR's Public Register. Until the commencement of Stage II in 1999 no new competitive entry is allowed on protected flows except where specifically provided for in the Regulator's Notice. Protected flows are generally those where the operator serves both stations by a direct service, and which reach the materiality threshold (to qualify for protection, in the majority of cases, the revenue earned by the operator on the flow in question must be at least 0.2% of its total revenue). Within this policy, franchised operators have still been able to identify potential new services. The arrangements for approving access rights for these services are described in Access to the Railway Network.

154. ORR is already preparing for the introduction of Stage II in 1999. In Stage II operators will have to renominate flows on which they require protection. However they will get only partial protection on these flows. Competition will be allowed on flows up to 20% (by revenue) of the total value of the nominated flows. (Where operators already experience a degree of competition which exceeds 20% of revenue, the threshold will be set at the current level.) Consultants have prepared a report for ORR on the possible strategic options train operators might adopt in nominating flows for protection, and the Regulator will be consulting on these and other issues relating to the implementation of Stage II over the next few months.

REGULATORY ACCOUNTING AND FINANCIAL MONITORING

155. Financial information in an appropriate and consistent format is an important input to effective regulation. This applies not simply to decisions on price controls, but also in judging whether particular actions have an anti-competitive effect.

RAILTRACK

156. In advance of Railtrack's flotation, the Regulator issued an accounting Notice specifying the form of inflation adjusted accounts that Railtrack should prepare for regulatory purposes. He subsequently issued, on 7 January 1997, a further Notice specifying the basis on which Railtrack should disaggregate its accounting records as between maintenance, renewal and enhancement investment. With this Notice was an explanatory note, setting out the information he expected Railtrack to publish. He will want to review carefully the information published in respect of 1996-97, to ensure that it provides both him and other users of the accounts with the financial information which it is appropriate for a monopoly, price regulated, company to provide.

TRAIN OPERATORS

157. Although the Regulator does not control fares, it is still important for him to have financial information on train operating companies, identifying separately their activities in relation to stations and light maintenance depots. The licences for station and light maintenance depot operators already contain an accounting separation requirement; where two or more operators come under common control, the Regulator has also indicated that he will seek to agree the inclusion of an accounting separation provision in passenger operator licences.

158. The Regulator consulted train operators in May 1996 on the approach to be adopted in establishing separate accounts for stations and light maintenance depots, and the format of accounting information to be submitted regularly to him. These proposals were discussed at a workshop to which all TOCs were invited. Consultation responses generally supported the Regulator's proposals in respect of depots, and formal regulatory accounting information requirements were issued in November. The consultation did, however, give rise to more significant issues in respect of stations, reflecting the different approaches to management of station activities of different train operators. The Regulator therefore commissioned the consultants KPMG to review practice in a number of TOCs, and to make recommendations to him on the format and basis for station accounting statements. KPMG reported at the end of March.

DEVELOPING THE REGULATORY FRAMEWORK

159. Although the regulatory regime for railways contains a number of unique features, there are also a number of similarities with the frameworks established for other privatised utilities. This is particularly true in respect of the regulation of Railtrack. The Rail Regulator meets regularly with the Directors General of Telecommunications, Gas Supply, Electricity Supply and Water Services, to discuss matters of common interest. The focus has been

on developing an understanding of 'best practice' on procedural matters and on identifying, and understanding, any potential differences of approach on policy issues, in particular in relation to establishing price limits and on the exercise of competition functions.

160. During the year, there have been a number of reports on the conduct of regulation. These have included reports by the National Audit Office (and subsequently the Public Accounts Committee), the Trade and Industry Select Committee, and a Commission established by the Hansard Society and the European Policy Forum. None of these studies have covered in detail the work of ORR, although the Trade and Industry Select Committee sought written representations as an input to its review of energy regulation. The Office continues to review its procedures and to look for improvements which can increase the effectiveness of regulation of the rail industry.

161. ORR is also developing contacts with investors in quoted railway companies, other funders and investment analysts. This is important both to ensure that the City properly understands the objectives of the Regulator, and his expectations of regulated companies, and that the Regulator properly understands the approach of investors and lenders in judging the financial performance of the companies, and how regulatory actions affect the ability of companies to finance their activities.



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OFFICE OF THE RAIL REGULATOR

RESOURCES AND RUCC SPONSORSHIP

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From left to right: Peter Murphy, Director; Libby Wiseman; Gwyn Maysey; and David Edwards.

This Directorate deals with resource management for the ORR and has divisions covering Human Resources, Facilities - including accommodation and IT matters - and Finance. There is also a Consultative Committee Sponsorship Unit (CCSU) dealing specifically with resource and organisational issues for the RUCCs. Operational planning, which is carried out by a small, discrete Strategy and Planning Unit, is also included in this section of the Report.

RUCC SPONSORSHIP

RUCC REVIEW

162. A major task for this unit during the year has been the implementation of changes to the organisation of the RUCCs following the review commissioned by ORR and carried out by PA Consulting the previous year. In June 1996 the Regulator held two seminars for Chairmen, Secretaries and RUCC members to discuss PA's recommendations - the first time in their history that all the Committees had been brought together in this way. Since then the following progress has been made:

- Shared vision and purpose. The RUCCs agreed their first mission statement and permanent aims in December. A competition was also held within art colleges to design a logo to reflect the fact that the RUCCs are a network of organisations, whilst retaining their regional identity. It is hoped to introduce the new logo in mid 1997.

RUCC Mission Statement

"Rail Users' Consultative Committees: The Statutory Watchdog protecting and promoting the interests of passengers."

Their permanent aims are also stated:

"Together we:

- Actively seek the views of passengers, including those with special needs;
- Represent passengers' interests to the industry, and to those who regulate or influence it;
- Seek higher standards and performance for rail passenger services;
- Monitor the achievement of those standards and performance;
- Seek to ensure that network benefits and safety standards are maintained;
- Actively encourage the use and development of rail passenger services;

- Investigate passengers' complaints which have not been satisfactorily resolved by the industry;
- Ensure that all representations are fully considered when rail closures are proposed."

- *Committee structure in relation to TOCs.* New relationships are being established between the Committees and the TOCs which operate in their areas. It is hoped that this will clarify which TOCs need to liaise with which Committees, and with what frequency, and will result in more efficient liaison arrangements for all parties.
- *External relations.* There have been various initiatives aimed at the RUCCs being seen to be more representative of the travelling public, and to actively seek their views. For instance, in addition to welcoming the public at the main RUCC meetings and encouraging them to put their concerns to the Committee, one Committee holds public meetings the night before. Another has people from all over the region sending reports about their perceptions of the railway in their area, while others have been trying to reach a wider audience through greater participation in local authority, and rail user group, meetings.

ORR and CRUCC staff discuss plans for improved accommodation (left to right): Fiona Smith (CRCC), Michael Patterson (CRUCC) and Viv Johnson (ORR).



- *Membership.* During the year ORR began a recruitment drive to increase membership to the recommended 12 to 15 members per Committee. By 31 March 1997, the Regulator, after consultation with the Secretary of State for Transport, had appointed 22

new members to the Committees. In addition, two new Chairmen appointments - Professor Tom Cannon to the North Western RUCC and Stewart Francis to the Eastern RUCC - were made by the Secretary of State in consultation with the Regulator. The procedures by which Chairmen are appointed were independently audited during the year. The auditors, Ernst and Young, found that good procedures had been adopted by the Department of Transport and ORR, in accordance with the Commissioner for Public Appointments' Code of Practice for Public Appointment Procedures.

CONSULTATIVE COMMITTEE MEMBERSHIP 1996-97

	CHAIRMEN	MEMBERS
New appointments	2	22
Re-appointments	2	16
Retirements/resignations	1	19
Total in post	9	97

ACCOMMODATION

163. During the year much effort has been concentrated on improving working conditions for the RUCCs, as much of their accommodation had been taken over by ORR in rather poor

condition. During the year, the Secretariats of the RUCCs for North Western England, Eastern England and Wales, moved into new accommodation. In addition, the North Eastern RUCC offices benefited from a major refurbishment. RUCC addresses are listed at [Appendix 8](#).

164. IT systems within the individual RUCC offices have been brought up to date, with assistance from the ORR Facilities team, and towards the end of the year discussions began on the issue of connecting those systems with one another and with ORR's own internal network.

LIAISON WITH ORR

165. Cases referred to the Regulator by the RUCCs are dealt with by the Licensing and Consumer Protection Division of Passenger Services Group, and are covered in that section of the Report.

166. Over the past year there has also been an accelerated programme of work to ensure that the RUCCs are able to act as the Regulator's eyes and ears in the regions. They have been heavily involved in consultation at the earliest stage on such issues as the West Coast Main Line upgrade, the Routeing Guide, penalty fares policy and closure procedures. As well as CCSU staff attendance at RUCC meetings, more of the ORR policy staff have attended. The Regulator regards close contact with the Committees as essential and is grateful for all their efforts on behalf of passengers during 1996-97.

RESOURCES

HUMAN RESOURCES

167. The number of staff in post at 31 March 1997 was 85 in ORR and 34 in the secretariats of the Consultative Committees, compared with 87 and 30 respectively at 31 March 1996. These changes reflected quite significant levels of recruitment, balanced by a number of departures as some of the short term appointments made in the early days of the Office began to expire. Further recruitment is ongoing for ORR, to bring staffing levels up to the agreed complement of 104 to reflect post-privatisation objectives of the Office.

STAFF IN POST AT 31 MARCH 1997 - ORR

LEVEL	GENDER		Ethnic Minorities	TOTAL
	Male	Female		
Directors, of whom Senior Civil Service in brackets	8 (6)	2 (1)	-	10 (7)
Managers (Grades 6 and 7)	16	6	1	22
Executives (HEOs and EOs)	17	14	2	31
Admin and Secretarial Support	6	17	8	23
TOTAL	47	39	11	85.8

STAFF IN POST AT 31 MARCH 1997 - CRUCC/RUCC SECRETARIAT

LEVEL	GENDER		Ethnic Minorities	TOTAL
	Male	Female		
Managers (Grades 6 and 7)	1	-	-	1

Executives (HEOs and EOs)	17	2	-	19
Admin and Secretarial Support		13	1	13
TOTAL	18	15	1	33

168. Posts up to Grade 7 level were filled partly by transfers from other Government departments (47%) and partly by direct recruitment (53%). Three out of the four posts filled during the year at Grade 6 and 7 level brought in experience from outside the Civil Service; the fourth member of staff came from another regulatory office. Two fixed term appointments to the Senior Civil Service and one Grade 6 appointment fell outside the normal recruitment criteria, and were made with the agreement of the Civil Service Commissioners.

169. Some of the new recruitment - mostly at senior levels in the organisation - involved staff who had previously been on secondment from BR. Three of these took up employment with the Office on fixed term contracts during the year 1996-97, and the remaining four on 1 April 1997.

170. During the year the senior posts of the Office were evaluated using the Job Evaluation for Senior Posts methodology. Seven posts (excluding the Rail Regulator) were assessed as Senior Civil Service posts and the job holders have been placed in the following pay bands: Band 4 - 2; Band 3 - 1; Band 2 - 4.

171. In the past all of the staff serving the RUCCs had been seconded from the BRB. The proportion of seconded staff had been declining since 1993 following a decision that those serving Committees which represent passengers should not be employees of the regulated industry. At the end of March 1997 the remaining five secondees were transferred to the ORR on Transfer of Undertakings Protection of Employees terms.

172. Following consultation within the Office new arrangements for involving staff in matters that concerned them were set up. The Staff Forum provides a focus for consultation and negotiation with staff representatives elected by staff, including a representative from the Public Services, Tax and Commerce Union.

173. Another initiative during the year was the development, implementation and monitoring of the Regulator's Statement on Office Values (see [Appendix 2](#)). This involved a cross-section of staff from around the Office, and individual performance against Office values will in future be assessed as part of the staff appraisal system. Work began late in the year on a Values Audit to establish a baseline against which we can measure Office performance in future years.

FACILITIES

174. Some rearrangement of accommodation was necessary in ORR's main building to take account of recruitment, and of the reorganisation which took place following the Office's Strategic Review. Various improvements were also made in the Office's security systems, and a disabled lift installed to ensure that disabled visitors could gain access to all parts of the Office's accommodation without special arrangements having to be made.

175. Communications within the Office are extensively based on the internal IT network, and the IT section within the Facilities team devoted a significant amount of effort to improving the resilience and capacity of the network, and responding to problems and queries from individual users. A number of discrete projects for the collection and analysis of data about various aspects of the rail industry and its

regulation were introduced or further developed with the help of the IT section, or consultants brought in by them. IT systems within the individual RUCC offices have also been brought progressively up to date, and towards the end of the year discussions began about a project to connect those systems with one another and with ORR's own internal network.

FINANCE

176. ORR is directly financed by money voted by Parliament and has its own Vote (Class V, Vote 8, Office of the Rail Regulator) for which the Rail Regulator is the Accounting Officer. The net provision in the 1996-97 Supply Estimate was £8.2 million (including the costs of the RUCCs). The provisional net outturn is £7.6 million, an underspend of £0.6m. The largest area of underspend was on consultancies, where delays with some projects mean that expenditure expected to take place in 1996-97 will instead be incurred in 1997-98. In common with other regulators, the full costs of the Office are recovered through licence fees charged to operators.

177. The ORR accounts for the way in which its funds have been used each year through the Appropriation Account, which is audited by the National Audit Office. This will not be published until the autumn, but a summary of ORR's provisional outturn for 1996-97 is at [Appendix 9](#).



Mike Walker, a member of the Personnel team, addresses staff on the new appraisal system.

178. The main areas of activity for the finance team were the processing of receipts and payments, issuing and monitoring budgets, liaising with the Treasury and with internal and external auditors, assisting the Office on procurement, and ensuring that the Office used the funds allocated to it efficiently and with due propriety. The aim of the Office is to pay all bills either within contract terms, or within 30 days of receipt where no specific contractual commitment exists. During the financial year 1996-97, 97% of invoices were paid within the target period.

179. In common with other Government departments, the Office will be progressively moving from current cash accounting arrangements towards resource budgeting and accounting. A competitive tender exercise was held for the procurement of a new accounting system to accommodate the requirements of resource accounting and budgeting, and evaluation of the bids was close to completion by the end of the year.

OPERATIONAL PLANNING

180. The Strategic Review of the Office established a need for greater emphasis to be placed on operational planning. This reflected the completion of the setting up phase for the industry, where many of the Office's programmes had to meet external timescales related to the restructuring process.

181. A Strategy and Planning team was established in July 1996 to assist the Office in planning and coordinating its work. The starting point for the approach to planning has been the Regulator's Aims and Objectives, which seek to give form to the Regulator's duties and functions under the Railways Act and are set out at [Appendix 1](#). The more detailed objectives (those relating to Railtrack, the Matrix, Passenger and Freight representation, Privatisation, Competition, Cooperation and Alliance, and People) encompass the principal

elements of the Office's work. The concept behind this approach has been that plans should be developed with the overall objectives in mind and that the objectives should be used to set priorities. Plans then feed through to planning within teams and the individual accountability plans of everyone in the Office. The objectives may of course change over time, in line with changes or emerging issues in the industry or changes to the Railways Act or the Regulator's powers. For example, as privatisation of the industry was largely completed during the reporting year, the Office no longer has the objective relating to Privatisation.

182. The approach adopted by the Strategy and Planning team to planning within the Office has been essentially facilitative, taking plans within divisions and establishing how they fit with the Office objectives. A particular aim has been to increase awareness across the Office of the work of its various parts and to enable individuals to see where their work fits in. This reflects the formulation and implementation of the Office's Values Statement (see [Appendix 2](#)) during the year.

183. Progress against the plans is monitored within divisions and by the Regulator, his Directors and Non-executive Directors. Regular reports are made on initial thinking, development of programmes and on progress against agreed plans to ensure that the work of individual Divisions continues to match the Office's high level aim of creating a better railway for passengers and freight customers.

184. The planning process will form an integral part of the Office's Public Expenditure Survey submission in respect of 1998-99 and beyond. In the year covered by this Report, the process was not sufficiently developed to fulfill this purpose, but divisional plans to deliver the Office's objectives were used in allocating resources for the financial year 1997-98.



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OFFICE OF THE RAIL REGULATOR

PRIVATE OFFICE AND PUBLIC AFFAIRS

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From left to right: Linda Bickerton; Gill Stevens; Keith Webb, Head of Private Office and Public Affairs; Diane Ross; and Sue MacSwan.

The Regulator's Private Office is linked with Public Affairs Division, which incorporates the Press Office and ORR's Library, under the Head of Private Office and Public Affairs.

PRIVATE OFFICE AND PRESS OFFICE AND LIBRARY

185. In July 1996, as part of the restructuring of the Office following the Strategic Review, the Regulator's Private Office merged with Public Affairs Division. As well as day-to-day support to the Regulator, Private Office provides secretariat services to the Regulator's Council, his new policy decision making body, and Management Group, which oversees strategic management issues.

186. For Public Affairs Division a major innovation during the year was the launch in January of ORR's own World Wide Web pages. Operating with the domain name "<http://www.rail-reg.gov.uk/>" the site has expanded rapidly to incorporate publications, press notices, speeches and links to other railway industry providers, notably Railtrack, as well as other regulators. It regularly attracts a lot of interest from home and abroad, especially North America, Europe, Japan, Australia and New Zealand. Possible additions to the site include job vacancies and an index to the Regulator's Public Register.

187. Another feature of the year was the increase in the number of foreign visitors to ORR. Delegations came from Germany, Hungary, India, Israel, Kenya, Sweden, Switzerland, Hong Kong, Thailand, Denmark, the USA, South Africa, Spain, Japan and Australia. Delegates represented railway companies, government and other regulatory bodies. All were seeking a greater understanding of the Regulator's role in the restructured British railway system.

188. A visit by a French parliamentary delegation resulted in the Regulator speaking to the EU delegation of the French National Assembly and the Senate in March. He also addressed the Railtrack 'Year 2000' seminar later the same month. In all, the Regulator addressed 11 conferences or seminars during the year, including the first annual conference of ACTO in Manchester.

189. Senior ORR staff were also in great demand and spoke at numerous events during the year. These included conferences on The Future of the Privatised Rail Industry (Charles Brown); The Future of Utility Regulation, and Price Control in Regulated Industries (Chris Bolt); Ticket Retailing: Impartiality; and Insurance and Risk

Sam Ellis, of Public Affairs, shows the ORR's new World Wide Web site to daughters of staff during Take Your Daughter to Work Day.

Management (Iryna Terlecky).



190. Continuing his policy of listening as well as talking to the industry players, the Regulator met most of the newly franchised operators, in many cases within weeks of them gaining their franchise. In addition, the Regulator paid visits to Tyne and Wear, a London Regional Passengers' Committee (LRPC) meeting held at Bedford, West Anglia Great Northern,

Great Eastern, the RUCC for Scotland, the West Coast Main Line, Thameslink and Regional Railways North East. On these visits he met customer representatives, local authority representatives, train operators' staff and Railtrack zonal staff.

ORR PUBLICATIONS

191. The Library is the main distribution point for ORR publications. Eleven new titles have been published during the past year - a full list of all current titles is at [Appendix 10](#). Responses to consultation papers are kept in the Library and are available for inspection on request unless the respondents have asked that they remain confidential.

PUBLIC REGISTER

192. The Public Register of the Rail Regulator is kept in the Library and is maintained by Library staff. The Register is open for inspection between 10am and 4pm on working days, and visitors are asked to make an appointment and to check with Library staff that the documents in which they are interested are available for inspection. One hundred visitors have inspected the Register during the past year. Copies of any Register document may be purchased, and a list of prices of documents is available from Library staff on request.

ORR LIBRARY EXTERNAL ENQUIRIES/VISITORS 1996-97

Month	Public Register	Other	Total
April 96	41	800	841
May 96	31	228	259
June 96	39	182	221
July 96	42	231	273
August 96	7	467	474
September 96	42	528	570
October 96	75	223	298
November 96	47	187	234
December 96	29	265	294
January 97	29	530	559
February 97	31	462	493
March 97	39	207	246
TOTAL	452	4310	4762

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OFFICE OF THE RAIL REGULATOR

LEGAL DIRECTORATE

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From left to right: Michael Brocklehurst, Chief Legal Adviser; Bernard Wilson; and Rob Caune.

The Legal Directorate provides independent legal advice to the Regulator and ORR, and therefore provides input to a wide range of work, both policy development and casework, across the Office.

INDEPENDENT LEGAL ADVICE

Rob Caune addresses ORR staff about the Legal Directorate's work as part of a programme of induction training.



193. During the reporting year the Directorate has been called upon to advise all parts of the Office, although the main demand has been from the Policy Groups. This has related both to the day-to-day exercise of regulatory functions, including approval of access agreements and monitoring of licence compliance, as

well as the development of policy in a number of areas. Particular areas of work have included:

- the competition law implications in relation to changes of control involving franchises;
- the developing activity in relation to rail transport in the European Union;
- licence compliance investigations; and
- the approval of depot access agreements for all train operators, and of amendments to track and station access agreements.

194. ORR has recognised the need to establish formal procedures, in relation to the carrying out of a number of functions of the Regulator, which can be clearly understood by those affected by them. The Legal Directorate has been involved in their development although this work is not yet completed.

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APPENDIX 1

AIMS AND OBJECTIVES OF OFFICE OF THE RAIL REGULATOR 1996-97

High Level Aim

- Working together with the industry to create a better railway for passengers and freight customers.

Primary Objectives

- Identify the improvements which we think the new railway is capable of achieving and act to produce results better than those that could have been achieved without the work of this Office;
- Carry out all our work in a manner which commands respect and wins authority.

Supporting Objectives

- *Railtrack*: Ensure that Railtrack acts as a responsible and efficient steward of the national rail network and that it does so at all times in a manner which promotes the public interest in the achievement of an improved railway.
- *Matrix*: Ensure that all parts of the matrix - every regulated contract and licence - continue to fit together to promote a better railway; act to secure compliance, change and improvement where necessary, with a particular emphasis on network benefits.
- *Passenger Representation and Support*: Ensure that we act, and are seen to act, as the independent representatives and supporters of passengers.
- *Freight Representation and Support*: Ensure that we act, and are seen to act, as the independent representatives and supporters of freight users.
- *Competition*: Ensure that where monopoly exists it is controlled and where workable competitive structures can be achieved they are promoted to the benefit of users.
- *Cooperation and Alliance*: While maintaining his independence, ensure that the Regulator cooperates fully with others having relevant decision making functions in respect of the new railway to ensure a coherent strategy to achieve an improved railway.
- *Privatisation*: Ensure that the Regulator is satisfied as to the terms and conditions on which the new undertakings move into the private sector so as to improve railway services to the benefit of users.
- *ORR People*: To achieve ORR regulatory objectives by creating and maintaining a team of people who are appropriately skilled, motivated and resourced, and have an office environment which encourages effective working.

APPENDIX 2

THE REGULATOR'S STATEMENT ON OFFICE VALUES

High Level Aim

- To achieve rewards for individuals and promote the common interest through the way we work together.

High Level Value

- To strive for excellence in the way we work together - for individual satisfaction and reward and for the common interest of the Office.

Key Supporting Values

- *Good Communications*: Seeking out the views of colleagues and keeping each other informed about our work and our results; being approachable and receptive to different points of view in our dealings with each other and with external contacts.
- *Integrity*: Being honest and fair as an organisation and as individuals; studying and evaluating the contributions of all our colleagues and telling them honestly what we think.
- *Respect*: Behaving in ways that earn respect and being respectful and considerate to each other.
- *Understanding*: Building confidence that the impact of decisions within and outside the Office has been thought through.
- *Empowering*: Recognising that pushing decision making down, providing opportunities to learn from successes and mistakes and broaden skills and understanding, is a powerful way of realising the potential of people across the Office and of preparing us for work of even greater responsibility.

APPENDIX 3

LICENCES GRANTED BY THE REGULATOR TO 31 MARCH 1997

N.B. Licencing activity, changes of control and name changes which have taken place during the reporting year are highlighted in bold.

Name of licence holder	Date	Type of licence					Disabled People's Protection Policy (DPPP) Approved	Environmental Policy Lodged	Company acquiring immediate control of the licence holder (incorporates changes to 31.3.97)
		Pass.	Non-Pass.	Station	LMD	Ntwk			
PIK Ltd	2.9.94			■			■	■	
Great Western Trains Company Ltd	14.12.94	■	■	■	■		■	■	Great Western Holdings Ltd (4.2.96)
LTS Rail Ltd	14.12.94	■		■	■		■	■	Prism Rail Plc (26.5.96)
South West Trains Ltd	31.3.95	■	■	■	■		■	■	Stagecoach Holdings plc (4.2.96)
Great North Eastern Railway (formerly InterCity East Coast Ltd)	31.3.95	■	■	■	■		■	■	Great Northern Railway Company plc (28.4.96)
Midland Main Line Ltd	31.3.95	■	■	■	■		■	■	National Express Group plc (28.4.96)
Connex South Central Ltd (formerly Network SouthCentral Ltd)	31.3.95	■		■	■		■	■	Connex Rail Ltd (26.5.96)
Rail express systems Ltd	31.3.95	■	■			■	■	■	North and South Railways Ltd (12.12.95) - now English Welsh and Scottish Railway Holdings Ltd
Loadhaul Ltd	31.3.95		■			■	n/a	■	North and South Railways Ltd (23.2.96). Licences surrendered 26.3.97
English Welsh and Scottish Railway Ltd (formerly Transrail Freight Ltd)	31.3.95		■			■	n/a	■	North and South Railways Ltd (23.2.96) - now English Welsh and Scottish Railway Holdings Ltd
Mainline Freight Ltd	31.3.95		■			■	n/a	■	North and South Railways Ltd (23.2.96) Licences surrendered 26.3.97
InterCity West Coast Ltd	28.4.95	■	■	■	■		■	■	Virgin Rail Group Ltd (9.3.97)
The Chiltern Railway Company Ltd	28.4.95	■		■	■		■	■	M40 Trains Ltd (26.5.96)
Cardiff Railway Company Ltd	26.5.95	■		■			■	■	Prism Rail Plc (13.10.96)
South Wales & West Railway Ltd	21.7.95	■	■	■	■		■	■	Prism Rail Plc (13.10.96)
Anglia Railways Train Services Ltd	21.7.95	■		■	■		■	■	GB Railways Ltd (5.1.97)
Connex South Eastern Ltd (formerly The South Eastern Train Company Ltd)	21.7.95	■	■	■	■		■	■	Connex Rail Ltd (13.10.96)
Northern Track Renewals Company Ltd	11.10.95		■			■	n/a	■	Fastline Group Ltd (23.5.96)
Western Track Renewals Company Ltd	12.10.95		■			■	n/a	■	Relayfast Ltd (23.7.96)
Fastline Track Renewals Ltd (formerly Eastern Track Renewals Company Ltd)	9.11.95		■			■	n/a	■	Fastline Group Ltd (15.3.96)
Scotland Track Renewals Company Ltd	9.11.95		■			■	n/a	■	Relayfast Ltd (8.2.96)
Freightliner Ltd (formerly Freightliner (1995) Ltd)	9.11.95		■			■	n/a	■	Management Consortium Bid Ltd (31.5.96)
Thameslink Rail Ltd	10.11.95	■		■	■		■	■	GOVIA Ltd (2.3.97)
CrossCountry Trains Ltd	10.11.95	■	■					..	Virgin Rail Group Ltd (5.1.97)
Central Trains Ltd	10.11.95	■	■	■	■			■	National Express plc (2.3.97)
North London Railways Ltd	10.11.95	■		■	■			■	National Express plc (2.3.97)
Great Eastern Railway Ltd	10.11.95	■		■	■			■	First Bus plc (5.1.97)
North West Regional Railways Ltd	10.11.95	■	■	■	■			■	Great Western Holdings Ltd (2.3.97)
Central Infrastructure Maintenance Company Ltd	10.11.95		■			■	n/a	■	GTRM (Tarmac/GEC) (19.4.96)
First Engineering Ltd (formerly Scotland Infrastructure Maintenance Company Ltd)	10.11.95		■			■	n/a	■	Track Action Ltd (14.2.96)
National Power PLC	28.11.95		■				n/a	■	
Southern Track Renewals Company Ltd	8.12.95		■			■	n/a	■	Balfour Beatty Ltd (2.4.96)
Centrac Ltd (formerly Central Track Renewals Company Ltd)	8.12.95		■			■	n/a	■	Tarmac Construction Ltd (29.2.96)
ScotRail Railways Ltd	8.12.95	■	■	■	■			■	
Amec Rail Ltd (formerly South Western Infrastructure Maintenance Company Ltd)	8.12.95		■			■	n/a	■	Amec plc (18.4.96)

Western Infrastructure Maintenance Company Ltd	8.12.95		■			■	n/a	■	Amey Railway Ltd (25.3.96)
Thames Trains Ltd	8.12.95	■	■	■	■			■	Victory Railways Holdings Ltd (5.1.97)
Regional Railways North East Ltd	8.12.95	■	■	■	■			■	MTL Rail Ltd (5.1.97)
West Anglia Great Northern Railway Ltd	8.12.95	■	■	■	■			■	Prism Rail Plc (5.1.97)
Island Line Ltd	8.12.95	■		■	■	■		■	Stagecoach Holdings plc (13.10.96)
Racal-BR Telecommunications Ltd (formerly BR Telecommunications Ltd)	20.12.95					■	n/a	■	Racal Electronics Plc (21.12.95)
Serco Railtest Ltd (formerly Railtest Ltd)	1.2.96		■			■	n/a	■	Serco Ltd (17.2.97)
Merseyrail Electrics Ltd	2.2.96	■	■	■	■			■	MTL Trust Holdings Ltd (19.3.97)
South Eastern Infrastructure Maintenance Company Ltd	2.2.96		■			■	n/a	■	Broomco (919) (2.4.96) - now Balfour Beatty Rail Maintenance Company Ltd
Eastern Infrastructure Maintenance Company Ltd	2.2.96					■	n/a	■	Balfour Beatty Rail Maintenance Company Ltd (2.4.96)
Northern Infrastructure Maintenance Company Ltd	2.2.96		■			■	n/a	■	Jarvis plc (18.6.96)
ABB Daimler-Benz Transportation (Customer Support) Ltd	13.9.96				■		n/a		
Chipman Rail plc	27.9.96		■				n/a	■	
Railfreight Distribution Ltd	11.10.96		■			■	n/a	■	

N.B. British Railways Board, Railtrack PLC, London Underground Ltd, Eurostar (UK) Ltd (formerly European Passenger Services Ltd) and Gatwick Express Ltd are operating under licences granted by the Secretary of State for Transport on 31 March 1994. Direct Rail Services Ltd (DRS) had their licence granted by the Secretary of State on 12 December 1995.



Title of exemption	Date	Type of exemption				
		Pass	Non-Pass	Stat	LMD	Ntwk
Elskar Steam Railway	26.4.96	■	■	■	■	■
Swanage Railway	26.4.96	■	■	■		■
Northern Infrastructure Maintenance Company Ltd	1.5.96				■	
Northern Track Renewals Company Ltd	17.5.96				■	
Chumet Valley Railway (1992) plc	27.3.97	■	■	■	■	■



APPENDIX 5

GENERAL APPROVALS MADE BY THE REGULATOR IN 1996-97

DESCRIPTION	REFERENCE	DATE MADE / COMING INTO FORCE
Station Access Contracts (National Station Access Conditions) (Scotland) Supplementary General Approval 1996	1996 No.10	22.4.96
Passenger Access General Approval (Euro 96) 1996	1996 No. 11	31.5.96
Passenger Access General Approval (Summer/Autumn Charter Services) 1996	1996 No.12	5.8.96
Light Maintenance Depot Access General Approval (Administrative Details) 1996	1996 No.13	9.8.96
Light Maintenance Depot Access General Approval (Applicable Systems Interfaces) 1996	1996 No. 14	9.8.96
Light Maintenance Depot Access General Approval (Depot Access Conditions) 1996	1996 No. 15	9.8.96
Light Maintenance Depot Access General Approval (Diagram Timings) 1996	1996 No. 16	9.8.96
Light Maintenance Depot Access General Approval (Minimum and Maximum Level of Services) 1996	1996 No. 17	9.8.96
Light Maintenance Depot Access General Approval (Off-depot Services) 1996	1996 No. 18	9.8.96
Light Maintenance Depot Access General Approval (Specifications) 1996	1996 No. 19	9.8.96
Light Maintenance Depot Access General Approval (Short-Term Changes) 1996	1996 No. 20	9.8.96
Passenger Access General Approval (Autumn/Winter Charter Services) 1996	1996 No.21	6.9.96
Interim Station Access Contracts (Life Extension) (No. 2) General Approval 1996	1996 No. 22	12.9.96
Freight Track Access Contracts (Life Extension) General Approval (No. 2) 1996	1996 No. 23	23.9.96
Freight Access Contracts (Loadhaul Limited and Mainline Freight Limited) General Approval 1996	1996 No. 24	10.10.96 / 11.10.96
Passenger Access General Approval (Christmas Period) 1996	1996 No. 25	15.11.96
Light Maintenance Depot Access General Approval (Charges and Key Performance Indicators) 1996	1996 No. 26	2.12.96
Passenger Access General Approval (Winter/Spring Charter Services) 1997	1997 No.1	16.1.97
Interim Station Access Contracts (Life Extension) General Approval 1997	1997 No. 2	28.2.97
Station Access General Approval (Franchised Station) (Exclusive Station Services) (Passenger Operator) 1997	1997 No. 3	20.3.97
Station Access General Approval (Franchised Station) (Freight Operator) 1997	1997 No. 4	20.3.97
Station Access General Approval (Franchised Station) (Common Station Amenities and Services) 1997	1997 No. 5	20.3.97
Station Access General Approval (Franchised Station) (Agreements & Specifications) 1997	1997 No.6	20.3.97
Station Access General Approval (Franchised Station) (Contract Particulars) 1997	1997 No. 7	20.3.97

LOCATION	TYPE OF CLOSURE	OUTCOME
MINOR CLOSURE CASES		
<i>Section 37 - Proposals to discontinue passenger services</i>		
No proposals received		
<i>Section 39 - Proposals to discontinue the operation of part of the network</i>		
Cheetham Hill Loop (Manchester)	part of network	under consideration at the end of 1996-97
<i>Section 41 - Proposals to close stations or light maintenance depots (LMDs), or parts thereof</i>		
Strawberry Hill LMD	part of LMD	certified as a minor closure 7.6.96
Windsor and Eton Central Station	parts of station	certified as a minor closure 9.7.96
Aberystwyth Station	parts of station	certified as a minor closure 30.7.96
Oxford Station	parts of station	certified as a minor closure 10.9.96
Coventry Station	part of station	certified as a minor closure 19.11.96
Palmers Green Station	part of station	certified as a minor closure 9.1.97
Weymouth Station	part of station	certified as a minor closure 9.1.97
Birmingham Snow Hill Station	part of station	certified as a minor closure 11.2.97
Colchester Station	part of station	certified as a minor closure 13.2.97
Reigate Station	parts of station	certified as a minor closure 13.2.97
Argyle Street Station	parts of station	certified as a minor closure 14.3.97
North Walsham Station	parts of station	under consideration at the end of 1996-97 (Certified as a minor closure 29.4.97)
Berwick Upon Tweed Station	parts of station	under consideration at the end of 1996-97
York Station	parts of station	under consideration at the end of 1996-97
Coseley Station	parts of station	under consideration at the end of 1996-97
Langley Green Station	parts of station	under consideration at the end of 1996-97
Liverpool Hall Road LMD	LMD closure	under consideration at the end of 1996-97
Birkenhead Central LMD	LMD closure	under consideration at the end of 1996-97
FULL CLOSURE CASES		
Windsor and Eton Station	closure of part of the network - 60 metres of track in station	Regulator's consent to closure given 9.7.96
Smethwick West Station	station closure	Regulator's consent to closure given 13.8.96
Filton Station	station closure	Regulator's consent to closure given 14.2.97
Wrexham Central Station	discontinuation of passenger service, station closure, and closure of part of the network - 280 metres of track	under consideration at the end of 1996-97 (Regulator's consent to closure given 6.5.97)

APPENDIX 7

REGULATORY OBJECTIVES FOR RAILTRACK

Railway privatisation has involved a major process of industry restructuring. Railtrack, passenger and freight train operating companies, rolling stock leasing companies and infrastructure maintenance and renewal companies have been created and the process of transferring them to the private sector is nearly complete. All of these companies are affected in different ways by regulation and I believe that an effectively regulated railway requires to be told by its Regulator what are the Regulator's expectations about its future conduct and performance. Throughout 1997 I intend to continue to monitor activity in rail markets to ensure that they are functioning effectively, and in the public interest, and supplement my statutory Annual Report with Bulletins or longer Policy Statements. This is the first Bulletin, addressing my expectations of Railtrack, described by its Chairman as being "at the heart of Britain's railway industry".

Railtrack has been responsible for the management, operation and development of the national rail network for almost three years and has been in the private sector for almost a year. It benefits from a level and security of income, as a result of my decisions on its access charges two years ago, which give it an historically unique opportunity to make a major contribution to the public interest and bring about improvement in the rail network for the benefit of all rail users, the taxpayers (who indirectly pay Railtrack to invest in a more efficient network) and the nation. The primary expectation is that this opportunity must be grasped and the contribution must be achieved.

Railtrack has made progress on improving performance and increasing expenditure on the infrastructure. I have said, publicly, that the improved performance of the passenger railway in 1996 is attributable, in part, to Railtrack. Passenger complaints are falling. Most representations made to me by passenger and freight users, Rail Users' Consultative Committees, MPs and train operators are more positive than they were two years ago. I am also encouraged by changes in the organisation of Railtrack which suggest stronger commitment to working with customers. Nevertheless, in certain important areas, progress has not been, in my view, satisfactory. I have decided, therefore, that I should supplement the Statement which I included in Railtrack's Prospectus and to set out publicly what I expect Railtrack to achieve in the period between now and the next review of its charges (to take effect in 2001), and in particular over the next 12 months. I will be taking steps to ensure that it has every regulatory incentive to do so.

Next month Railtrack will publish its Network Management Statement. I have agreed with Railtrack the form which this Statement must take. I will attach great importance to the commitments made in the Statement and moreover to their achievement.

Objectives for the regulation of Railtrack

My primary aim, publicly stated in my Annual Report, is to work together with the industry to achieve a better railway for passengers and other users. Railtrack is in a central position in the railway industry, and its performance is critical to the achievement of that aim. Therefore, I expect Railtrack to act as a responsible and efficient steward of the national rail network and to do so at all times in a manner which promotes the public interest in the achievement of an improved railway.

Stewardship of the national rail network

In my decisions on the level of its access charges, in January 1995, I provided Railtrack with a substantial degree of certainty in respect of its income and thereby placed it under an obligation to take action to ensure that, as I said in my Policy Statement, "the network is effectively and efficiently maintained and is renewed in modern equivalent form". In addition to ongoing maintenance provided for as part of operating costs, I included an allowance of £3.5 billion (at 1995-96 prices) for investment in the renewal of the network over the period of the review, together with an additional allowance to allow for accelerated investment, in particular to deal with backlog of expenditure on property.

To date, Railtrack's record, in terms of its stewardship responsibilities, is disappointing in important aspects. It has taken speedy action to improve current operational performance, which is clearly very welcome to rail users, but this has not been matched by equally prompt action to renew the infrastructure in modern equivalent form, for which Railtrack is also being paid.

When Railtrack published its interim accounts in November, these showed some increase in spending on the infrastructure in the first half of the financial year. But even with growth in spending in the remainder of the year, I estimate that it will be carrying forward significant unspent accruals in respect of renewal of the infrastructure and backlog of expenditure on property, largely stations and maintenance depots. As I said in December 1996, the current level of underspend is wholly unacceptable. Railtrack must demonstrate that it has credible plans to deal with that backlog and should deliver on those plans, now that it is free from public sector financing limits.

Thus, I expect Railtrack to deliver an effective infrastructure renewal and investment programme which follows four key regulatory principles:

- Railtrack should, in a timely fashion, renew the railway infrastructure in the appropriate modern equivalent form;
- Railtrack should take a proactive and positive approach to the development of the railway network in a way which reflects the needs of its customers and of rail users;
- Railtrack should make good the current shortfall in expenditure in an efficient and effective way; and
- Railtrack's plans and investment approval processes should ensure delivery of these objectives.

I believe that Railtrack accepts those regulatory principles. They are consistent with the purposes of the Railways Act, with the content of Railtrack's licence and with Railtrack's published commitments in statements to shareholders. They are more than merely carrying out a set of commercial agreements without being in default.

Railtrack's Network Management Statement

When Railtrack publishes its Network Management Statement next month, I expect it to demonstrate - publicly - its commitment and capability to deliver an infrastructure investment programme which meets the objectives I have set out above. The Statement must demonstrate to Railtrack's customers, to others funding its operation, and to the taxpayer, that money which they have committed is being spent on the railway, and spent well. Therefore, I expect Railtrack to set out in detail its plans for maintaining, renewing and developing the network, both in terms of its expected level of expenditure, and details of the work actually to be undertaken including the relevant timescales. There must be a clear and unequivocal commitment to

deliver these plans, with significant progress being made during 1997.

Wider regulatory objectives for Railtrack

During 1997, in addition to my focus on Railtrack's stewardship, and its plans for maintaining, renewing and developing the infrastructure, I will expect Railtrack to achieve other regulatory objectives including:

- *promoting services to passengers*: I expect to see the development and promulgation by Railtrack of a consolidated plan setting out its role and objectives in the provision of network benefits to passengers and the action it is taking, with TOCs, to secure the delivery of such benefits as improved timetabling and train running information and improved services for the disabled;
- *ensuring efficient train timetabling and operation*: I expect to review the contractual timetabling and access planning processes to ensure the network is timetabled and operated in a way which meets the needs of customers and encourages use and development of the network;
- *delivering better performance*: I expect to review the operation of the contractual performance regimes, focusing on whether they are operating in the public interest, including the securing of opportunities for passengers to connect between train services;
- *promoting rail freight*: I expect Railtrack to promote the use and development of the network for freight, to the greatest extent economically practicable, through its contractual arrangements and customer relationships, its operation and planning of the network, and investment in infrastructure;
- *improving railway group standards change processes*: I expect to review the effectiveness of the Railway Group Standards Code and underlying consultation and change procedures, with the aim of ensuring that they fully meet the requirements of Railtrack's Network Licence;
- *encouraging flexibility in charging and preparing the way for the next periodic review of Railtrack's charges (to be completed by 2000)*: the charging arrangements for track access involve very high fixed charges which give little information on how the network might be more efficiently used. Thus, I expect to see the development of greater variability in access charges under existing contractual mechanisms and in response to changes in the access requirements of passenger franchises. I also expect to begin preparation for the next periodic review of charges.

Railtrack is already taking a number of important initiatives in these areas, which I welcome, and I look forward to seeing substantial progress on these fronts.

Monitoring and publishing information

During 1997 I shall be closely monitoring Railtrack against the objectives set out in this statement and taking steps to satisfy myself that my Office has available to it all the information about Railtrack necessary to do so. I expect Railtrack to publish information about its plans for the network in the Network Management Statement, information on the performance and capability of the network in its half-yearly Network Maintenance and Renewal Quality Indicators, and also regulatory accounting information which Railtrack has

agreed to publish.

Conclusion

In summary I expect continued regulatory scrutiny of key aspects of Railtrack's business to ensure Railtrack operates in the public interest and meets the regulatory expectations underlying the current access charging and contractual framework (and which are reflected in a long term commitment ultimately funded by the taxpayer).

I expect to continue to develop a view of what Railtrack should be achieving in terms of operational performance, maintenance, renewal and development of the network, and in terms of efficiency and return on assets. I will wish to understand how Railtrack is performing against these benchmarks, and the proactive steps Railtrack is taking to improve its performance and meet my expectations, both in terms of the stewardship of the network and the wider regulatory objectives.

In Railtrack's Prospectus I said *"the first seven years of the Railways Act 1993 will be the proving ground for the railways of the twenty-first century, and ... the more Railtrack recognises the public interest in its conduct during these years, running up to the next periodic review of Railtrack's charges, the less likely that they will be followed by a substantially different regulatory approach"*. I further said *"I will in particular want to be satisfied that the amounts included in Railtrack's plans for bringing the network up to standard, and for maintaining and renewing it, are properly spent for the benefit of all rail users"* and *"where Railtrack's performance is better than expected for reasons other than greater efficiency, I would not consider it appropriate for the entirety of such benefits to be passed on to shareholders to the exclusion of Railtrack's direct and indirect customers"*. This approach will continue to be the basis underlying my objectives and expectations of Railtrack, and I expect to take further appropriate and timely regulatory action if Railtrack cannot demonstrate that these expectations are being met.

JOHN SWIFT QC
January 1997



APPENDIX 8

CONSULTATIVE COMMITTEES: LIST OF ADDRESSES

CENTRAL RAIL USERS' CONSULTATIVE COMMITTEE (CRUCC)

The CRUCC consists of: a Chairman, appointed by the Secretary of State for Transport after consultation with the Regulator; all RUCC Chairmen; the Chairman of the LRPC; and up to six other members appointed by the Regulator after consultation with the Secretary of State and the Chairman of the CRUCC.

Secretary, Central Rail Users' Consultative Committee,

Clements House, 14-18 Gresham Street,

London EC2V 7NL

Telephone: 0171 505 9090

Fax: 0171 505 9004

RAIL USERS' CONSULTATIVE COMMITTEES (RUCCs)

Each RUCC consists of: a Chairman, appointed by the Secretary of State for Transport after consultation with the Regulator; and between ten and 20 other members appointed by the Regulator after consultation with the Secretary of State and the Chairman. There are eight Committees covering England, Scotland and Wales. A list of addresses appears below.

Scotland: Secretary, RUCC for Scotland,

249 West George Street, Glasgow G2 4QE

Telephone: 0141 221 7760

Fax: 0141 221 3393

North East: Secretary, RUCC for North Eastern England,

Hilary House, 16 St Saviour's Place, York YO1 2PL

Telephone: 01904 625615

Fax: 01904 643026

North West: Secretary, RUCC for North Western England,

Boulton House, 17-21 Chorlton Street, Manchester M1 3HY

Telephone: 0161 228 6247

Fax: 0161 236 1476

Wales: Secretary, RUCC for Wales,

St David's House, Wood Street, Cardiff CF1 1ES

Telephone: 01222 227247

Fax: 01222 223992

Midlands: Secretary, RUCC for the Midlands,

77 Paradise Circus, Queensway, Birmingham B1 2DT

Telephone: 0121 212 2133

Fax: 0121 236 6945

East: Secretary, RUCC for Eastern England,

Crescent House, 46 Priestgate, Peterborough PE1 1LF

Telephone: 01733 312188

Fax: 01733 891286

West: Secretary, RUCC for Western England,

13th Floor, Tower House, Fairfax Street, Bristol BS1 3BN

Telephone: 0117 926 5703

Fax: 0117 929 4140

South: Secretary, RUCC for Southern England,

4th Floor, 35 Old Queen Street, London SW1H 9JA

Telephone: 0171 222 0391

Fax: 0171 222 0392

LONDON REGIONAL PASSENGERS' COMMITTEE (LRPC)

The LRPC is sponsored by the Department of Transport, not ORR, although it works closely with the CRUCC/RUCC network. Its Chairman and members are appointed by the Secretary of State for Transport, after consultation with the Regulator.

Director, London Regional Passengers' Committee,
Clements House, 14-18 Gresham Street, London EC2V 7PR
Telephone: 0171 505 9000
Fax: 0171 505 9003



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APPENDIX 9

ORR'S EXPENDITURE 1996-97

The following table shows the provisional outturn for 1996-97, and is subject to audit by the National Audit Office:

	VOTED PROVISION £'000	PROVISIONAL OUTTURN £'000	VARIANCE £'000
Running costs	7,817	7,319	(498)
Capital	400	282	(118)
Appropriations in Aid	(1)	(1)	-
NET TOTAL	8,216	7,600	(616)

APPENDIX 10

ORR PUBLICATIONS

- General authority to the Rail Regulator under section 8 of the Railways Act 1993 *March 1994*
- Guidance to the Rail Regulator *March 1994*
- Competition for railway passenger services: a consultation document *July 1994*
- Framework for the approval of Railtrack's track access charges for franchised passenger services: a consultation document *July 1994*
- Railway operations and the environment: environmental guidance: a consultation document *July 1994*
- Meeting the needs of disabled passengers: a code of practice *August 1994*
- Framework for the approval of Railtrack's track access charges for freight services: a consultation document *October 1994*
- Railtrack's track access charges for franchised passenger services: developing the structure of charges: a policy statement *November 1994*
- Competition for railway passenger services: a policy statement *December 1994*
- Criteria and procedures for the approval of freight track access agreements *December 1994*
- Retailing of tickets at stations: a consultation document *January 1995*
- Railtrack's access charges for franchised passenger services: the future level of charges: a policy statement *January 1995*
- Framework for the approval of Railtrack's track access charges for freight services: a policy statement *February 1995*
- Criteria for the approval of passenger track access agreements *2nd edition March 1995*
- Ticket retailing: a policy statement *April 1995*
- Annual Report 1994-95 *July 1995*
- Penalty fares: a consultation document *October 1995*
- Guidance on licensing of operators of railway assets *September 1995*
 - Complete set:
 - Model licence: passenger *September 1995*
 - Model licence: non-passenger *September 1995*
 - Model licence: station *September 1995*
 - Model licence: LMD *September 1995*
 - Model licence: network *September 1995*
 - Guidance on insurance against third party liability *January 1997*
 - Contact points for industry arrangements *September 1995*
 - Summary of principles for complaints handling procedures *September 1995*
 - Application for a licence to operate railway assets *September 1995*
 - Notification of intention to self-insure part of third party liability *January 1996*
 - Method of calculation of licence fees for 1996-97 *October 1996*
 - Summary checklist for licence applicants *September 1995*
 - Change of control of passenger train operators: criteria and procedures *March 1996*
- Criteria and procedures for the approval of moderation of competition proposals from passenger train operating

- companies *December 1995*
- Charter train services: a consultation document *December 1995*
- Investment in the enhancement of the rail network *March 1996*
- Railway operations and the environment: environmental guidance *March 1996*
- Charter train services: a report on the Regulator's consultation exercise *April 1996*
- Rail Regulator's statement for the Railtrack prospectus *April 1996*
- Annual Report 1995-96 *July 1996*
- Accurate and impartial retailing: meeting the needs of passengers: a consultation document *August 1996*
- Penalty fares: a policy statement *August 1996*
- Guidance on insurance against third party liability: a consultation document *August 1996*
- Railtrack's network management statement: a consultation document *September 1996*
- Guidance on the approval of Railtrack's track access charges for intermediate traffic *October 1996*
- Regulatory accounting information: light maintenance depots *November 1996*
- Regulatory objectives for Railtrack *January 1997*
- Accurate and impartial retailing: meeting the needs of passengers: a policy statement *January 1997*
- Penalty fares rules *2nd edition April 1997*
- Railtrack's investment programme: statement by the Rail Regulator *May 1997*



APPENDIX 11

GLOSSARY OF ABBREVIATIONS

ACTO	Association of Charter Train Operators
ATOC	Association of Train Operating Companies
BR	British Rail
BRB	British Railways Board
CCSU	Consultative Committee Sponsorship Unit
CRUCC	Central Rail Users' Consultative Committee
DGFT	Director General of Fair Trading
DPPP	Disabled People's Protection Policy
EC	European Commission
EU	European Union
EWS	English Welsh and Scottish Railway Ltd
EW&SH	English Welsh and Scottish Railway Holdings Ltd
HMRI	Her Majesty's Railway Inspectorate
HSE	Health and Safety Executive
IRR	International Rail Regulator
LMD	Light maintenance depot
LRPC	London Regional Passengers' Committee
MMC	Monopolies and Mergers Commission
NRES	National Rail Enquiry Scheme
OPRAF	Office of Passenger Rail Franchising
ORR	Office of the Rail Regulator
PTE	Passenger Transport Executive
Res	Rail express systems Ltd
RfD	Railfreight Distribution Ltd
ROSCO	Rolling Stock Leasing Company
RUCC	Rail Users' Consultative Committee
TEB	Telephone Enquiry Bureau
TERFF	Trans European Rail Freight Freeway
TOC	Train Operating Company
TSA	Ticketing and Settlement Agreement

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