

Rail Privatisation: a Progress Report

Research Paper 95/96

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The *Railways Act 1993* provided the legal framework for the privatisation of British Rail and the introduction of a new structure for the rail industry. The Act received Royal Assent in November 1993 and many of the principal changes were brought into effect on 1 April 1994. This paper briefly describes the Act and the new arrangements it made for the railway industry. Earlier Library papers (Research papers 93/11 and 93/96) describe the privatisation proposals and the progress of the *Railways Bill 1992-93* in more detail. The paper also refers to the track access agreements between Railtrack and the train operators which have to be approved by the Rail Regulator and the franchise agreements between the Franchise Director and the train companies.

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Summary

Part I briefly describes the Conservative Government's 1992 White Paper, *New Opportunities for the Railways*, and the subsequent *Railways Act 1993* which provided the legal framework for the privatisation of British Rail and the introduction of a new structure for the rail industry. Most of the changes were introduced on 1 April 1994. The aim of the Government's proposals was the greater involvement of the private sector in the running of the railways through the sale of British Rail's freight and parcels businesses and the progressive contracting out of the management of passenger services by a new Franchising Director. To achieve these objectives responsibility for the track and for operations was separated by the division of BR into a body known as Railtrack to be responsible for the track and a residual BR operating company with the task of running those services not yet sold or franchised.

The resultant structure is set out in more detail in Part II. British Rail has been divided into its constituent parts which are gradually being sold to the private sector. Fifteen companies will soon have been sold. The train operating units are gradually being vested as companies and the Franchising Director is inviting tenders. The first announcements about the first three franchises to be sold should be made at the end of the year. Railtrack is also being prepared for privatisation. The Rail Regulator oversees the charges to be levied by Railtrack, in pursuit of a commercial rate of return, for the use of the infrastructure and is to enforce the principle of open access for independent train operators, as well as ensure fair competition between them.

Part III considers the access agreements between Railtrack and the train operators which have to be approved by the Rail Regulator. The latter has published various reports relevant to the agreements, for example on the structure and the level of the charges. The procedures involved in the granting by the Franchising Director of the franchises for the passenger operations are also summarised in this section.

Lastly some statistics are quoted showing the involvement of the Government in the railways and some useful names and addresses are listed in the Appendix.

Abbreviations

BR	British Rail
BRIS	British Rail Infrastructure Services
CRUCC	Central Rail Users' Consultative Committee
EPS	European Passenger Services Ltd
EU	European Union
HSE	Health and Safety Executive
ITT	Invitation to Tender
MDC	Metropolitan District Council
MEBO	Management and Employee Buyouts
MRG	Metropolitan Railway Grant
OPRAF	Office of Passenger Rail Franchising
PSR	Passenger Service Requirement
PTA	Passenger Transport Authority
PTE	Passenger Transport Executive
PSO	Public Service Obligation
ROSCO	Rolling Stock Leasing Company
RSC	Railway Safety Case
RSG	Revenue Support Grant
RUCC	Rail Users' Consultative Committee
TOC	Train Operating Company
TOU	Train Operating Unit

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I The Legislative Background

Privatisation of British Rail's non-core activities began in the early 1980s. BR Hovercraft Ltd was sold to management in 1981; Sealink was sold to British Ferries Ltd in 1984; and BR Hotels Ltd's hotels were sold to the private sector between 1981 and 1984. Privatisation of BR's core activities only began to be actively and continuously discussed after 1987.

In 1988 Paul Channon, then Secretary of State for Transport announced that privatisation of BR would be considered on the basis of five different options. These were:

- i *The "BR plc" Option* (the sale of BR as a single company);
- ii *The Track Authority Option* (the creation of a separate track authority with independent operating companies running the trains);
- iii *The Sectoral Options* (the division of BR into separate operating companies based on the existing business sectors);
- iv *The Regional Option* (the splitting of BR into a number of independent, regionally based companies, responsible for all operations within their boundaries);
- v *The Combined Option* (any combination of some or all of options 1 to 4).

Interdepartmental disagreement over the best method to choose delayed the publication of a White Paper, promised for the end of 1991, until beyond the date for the General Election in 1992. The first indication of the Government's intentions came therefore in the Conservative Party manifesto. This stated: "Our plans for the railways are designed to bring better services for all passengers as rapidly as possible. We believe that franchising provides the best way of achieving that".

A. The White Paper and the Bill

Following the General Election Ministers published in July 1992 a White Paper setting out their proposals for legislation¹. The core of the Government's proposals was the greater involvement of the private sector in the running of the railways through the sale of British Rail's freight and parcels businesses and the progressive contracting out of the management of passenger services by a new Franchising Authority. The principal organisational means of achieving these objectives was the separation of responsibilities for track and operations, which was to be effected by the division of BR into a body known as Railtrack on the one hand, and a residual BR operating company with the task of running those services not yet

¹ *New Opportunities for Railways*, July 1992 - Cm 2102

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franchised, on the other. A Regulator would oversee the charges to be levied by Railtrack, in pursuit of a commercial rate of return, for the use of the infrastructure. The Regulator would in addition enforce the principle of open access for independent train operators, as well as ensure fair competition between them. The White Paper envisaged the introduction and passage of the necessary legislation during the 1992-93 session of Parliament, with the first franchises to be awarded in 1994.

The White Paper was intended to be followed by a series of consultation documents spelling out various aspects of the proposals in more detail, and leading to the introduction of legislation in November 1992. In the event, publication of the main legislation was delayed until January 1993, largely as a result of difficulties with the passage of the paving Bill covering both the railway and coal industries². This conferred on the British Coal Corporation and British Railways Board "powers to participate in the implementation of proposals for the transfer of their commercial activities to the private sector and proposals for the establishment of new arrangements with respect to their other functions".

The *Railways Bill* was published on 22 January 1993 and had its Second Reading on 2 February. There were three particularly interesting features of the Bill:

- i the Bill was drafted as an enabling measure. This manifests itself most strongly in the degree of discretion left to the Secretary of State, the Regulator, and the Franchising Director.
- ii there was no mention anywhere in the Bill of Railtrack - an indication of the sweeping nature of the powers contained in Part II, which enable the Secretary of State to restructure BR in any way he thinks fit;
- iii although the Secretary of State and the Regulator were given the duty to "promote the use of the railway network in Great Britain, and the development of that railway network, to the greatest extent that he considers economically practicable", there was no mention of the wider social objectives which the Bill and its associated public expenditure were presumably intended to underpin.

Three Library Research Papers describe the White Paper and the Bill in some detail:

British Rail: Whose future? Background Paper 302, 27.10.92

British Rail and the Railways Bill 1992-93 Research Paper 93/11, 28.1.93

The Railways Bill Research Paper 93/96, 28.10.93

² *British Coal and British Rail (Transfer Proposals) Bill* 1992-93

The proposals excited a lot of comment. The Transport Select Committee published its final report on the subject in April 1993³ and concluded :

"523. It is clear that in terms of previous international railways experience, the form of privatisation adopted by the UK Government is both novel and experimental (in the sense of being untested). It is true that some elements of the Government's proposals have been put into practice or contemplated in various parts of the world. Yet in no country with a rail system of comparable size and density of use is there an example, either in operation or even under consideration, of a complete scheme such as that contained in the Railways Bill. This does not of itself mean that it cannot succeed. To take that argument to its logical conclusion would mean that no innovation ever took place. What it does mean, however, is that because of the lack of previous experience to draw upon, the risk that something could go badly wrong is that much higher. To put it another way, the system of railway operation proposed by the Government probably can work, but, in the words of one witness, it may need to be *made* to work.

524. The onus lies firmly on the Government to demonstrate that its plans will provide a better service to the travelling public. If all the Government's assumptions are correct about such matter as:

- the prospects for investment;
- the practicality of the relationship between Railtrack and operating companies;
- the response of the private sector to the new opportunities on offer; and
- the feasibility of combining open access with franchising.

then there may be the *potential* for an improved railway system. Whether the Government is right in these assumptions is a matter of political judgement. The final verdict will rest with rail users."

Following the Bill's publication, the Government's proposals were clarified or developed in various respects. In the debate on Second Reading⁴, the Secretary of State unveiled a new package of grants to freight operators which were designed to make such assistance more transparent. He also listed the first seven "shadow" franchise areas. Only one of these, the Isle of Wight, was to be vertically integrated (i.e. to include the track as well as the train service). He announced that Railtrack would not, as originally intended be a subsidiary of BR but would instead become a separate "Government owned company". Various concessions were made during the passage of the Bill, including:

³ Transport Select Committee *The Future of the Railways in the Light of the Government's White Paper Proposals*, April 1993 - HC 246 of 1992-93

⁴ HC Deb 2.2.93 cc 154-245

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- British Rail was permitted to become a franchisee under a House of Lords amendment⁵. British Rail had originally been excluded under clause 24 of the Bill.
- Inter availability of ticketing and common pricing criteria were to be standard requirements for new train operators. Although not specifically provided for in the *Railways Act* these would be a requirement of franchise agreements⁶.
- The government was required to provide an absolute solvency guarantee for British Rail pensions following the passage of the Bill in the Lords and disquiet from BR pensioners and employees. A press notice announced the final agreement⁷.
- During the third reading in the Commons the then Secretary of State for Transport, Mr MacGregor confirmed that the *Railways Bill* would be amended in the Lords to ensure that concessionary railcards for the young, elderly and disabled would continue under franchises and that travel cards would survive in some form⁸. This can now be found in section 28 of the *Railways Act*.

B. The Railways Act

The Railways Act received Royal Assent on 5 November 1993 and now consists of 154 sections and 14 schedules, running to some 244 pages. Part I of the Act sets out the respective powers and duties of the Secretary of State, the Regulator and the Director of Passenger Rail Franchising (the Franchising Director). It also specifies line closure procedures, confers upon the High Court powers to issue railway administration orders in the event of default by independent railway operators, and establishes machinery for consumer representation. Part II relates to the Secretary of State's powers to direct BR to reorganise itself and to form companies for various purposes, including franchising and disposal. Part III of the Act contains miscellaneous provisions relating to safety, the railway heritage, the British Transport Police, pensions, freight, financial assistance to BR staff in the preparation of management buy-outs or franchise bids, and other matters.

The principal provisions of the Act can be summarised as follows. It:

- provides for the franchising of passenger railway services;
- establishes the system under which train operators can gain access to, and use of, railway assets, particularly the track, which will be owned by a new public sector body, Railtrack;

⁵ HL Deb 5.7.93 cc 1068-1104

⁶ Department of Transport press notice no 499 8.12.93

⁷ Department of Transport press notice no 184 19.7.94

⁸ HC Deb 25.5.93 cc 763-764 cc 771-772

- establishes the offices of Rail Regulator and Franchising Director;
- allows rail user consultative committees to comment on all aspects of the rail services provided by BR and private sector franchisees, and sets out closure procedures which must be followed before a passenger service can be withdrawn from a line or station;
- guarantees continuity of services in the event of a closure proposal, or of insolvency on the part of a train operator, or the operator of a network, station or light maintenance depot;
- gives British Rail and the Secretary of State the powers to restructure BR's businesses and to dispose of them;
- ensures that railway operations are safe;
- ensures that the pension rights of British Rail pension scheme members are fully protected;
- widens the scope of the existing freight facilities grant scheme for encouraging freight to be carried by rail, and establishes a new grant to enable freight to remain on the railway, or to transfer from the roads, where there are clear environmental advantages.

Other provisions deal with such matters as railway heritage, the British Transport Police, railway security and the safeguarding of rail travel concessions for BR staff and others.

II The New Structure

A. British Rail

Since 1 April 1994, British Rail's responsibilities have changed significantly. On that day the track, signalling and freeholds of stations, other buildings and operational land were transferred to Railtrack, a government-owned company independent of the BR Board. The remainder stayed as the responsibility of British Rail with the intention that the different components should gradually be transferred to the private sector. This is a long term policy and BR will continue to play a central role by operating, either itself or through subsidiaries, all passenger services prior to franchising and all other services prior to sale. Sir Bob Reid was the chairman of the Board until 31 March 1995 when John Welsby took over.

Passenger services are to be managed and operated by the private sector through a system of franchising. On 1 April 1994 the three passenger businesses, InterCity, Network SouthEast and Regional Railways, ceased to exist and were replaced by 25 train operating units. One of them - Gatwick Express - operated as the first "shadow franchise" from October 1993 with separate records of performance. Five other units were also run as shadow franchises from April 1994 and the government's plan was that these first six franchises should be offered for sale by the Franchising Director by April 1995, and for at least half of the passenger operations to be in the private sector by April 1996. To meet that timetable BR would gradually incorporate the train operating units during 1994/95 and they would progressively begin operating as shadow franchises. About half of the passenger businesses have so far been vested as subsidiary BR companies.

BR has the right to tender for franchises in competition with the private sector, although the Franchising Director may decide that it is not eligible to do so on certain occasions⁹.

On 14 December 1994 the Franchising Director gave details of the first eight franchises to be let and in May 1995, he issued Invitations to Tender for the first three franchises of passenger services to be let - for Great Western Trains, South West Trains and LTS Rail¹⁰. Decisions on the successful tenderers are likely in December 1995. It was also announced at the same time that a further five draft passenger service requirements had been issued for Gatwick Express, East Coast, Midland Main Line, ScotRail and Network SouthCentral. Invitations to Tender are likely to be issued in September to all except ScotRail. The Government's stated aim is that 51% of passenger services, by turnover, should be franchised by April 1996. This is not the same as half of the 25 franchises and it could have been achieved if all the eight mentioned here plus the West Coast Main Line had been franchised by next April.

⁹ *Railways Act 1993* section 25

¹⁰ OPRAF press release 17.5.95

European Passenger Services Ltd became a separate government-owned company in May 1994 with the intention that it should be transferred, along with Union Railways, to the consortium chosen to build and own the Channel Tunnel Rail Link.

Three companies were set up in 1994 to lease out rolling stock (ROSCOs) and BR's domestic passenger fleet was transferred to them. Bids for the purchase of these companies were invited in May 1995 and sales are expected at the end of the year. Track, signalling, electrification and plant maintenance and renewal is now carried out under contract to Railtrack by 14 geographically based infrastructure service units reorganised into separate track renewal and infrastructure maintenance companies. As a transitional measure, these units are managed by BRIS (British Rail Infrastructure Services) but the intention is to offer them for sale at a later date.

Three new freight companies, Loadhaul, Mainline Freight and Transrail Freight, took over Trainload Freight's existing contracts on 1 April 1994. Rail Express Systems handles mail for the Post Office. Initially these were established as BR subsidiaries but were put up for sale to the private sector on 27 June 1995. The Red Star parcels business was offered for sale in 1993, but no satisfactory bid was received. The business has since been restructured and was put back on to the market in May 1994. Negotiations are in progress with a management and employee buy-out team. Railfreight Distribution began operating through the Channel Tunnel in June 1994. When its international business has developed sufficiently, it will be sold. Its container haulage business, Freightliner, was put on the market in May 1994 but withdrawn for the business to be restructured.

Central Services offer services to the industry. Its components, such as design offices, research, architecture & design and business systems, are being restructured for sale as individual businesses. The plan is to sell all these to the private sector in 1995-96 and 1996-97. Businesses on offer to the market at the moment include BR Telecommunications Ltd, the catering service business, OBS Services Ltd, BR Projects, BR's Occupational Health Services and its Quality and Safety Services (QSS) business.

Other businesses for sale include the signalling projects business, Signalling Control UK.

By early June 1995 some 10 businesses had been sold: Transmark, the transportation consultancy, was sold in 1993; Meldon Quarry was sold early in 1994; the locomotives and rolling stock of the Charter Train Unit was sold in May 1994, although the new owner did not take over the assets until April 1995; and the six heavy maintenance workshops forming part of BRML were sold independently in June 1995. These are responsible for servicing the fleet of rolling stock used by the passenger and freight railway businesses. The assets of the Special Trains Unit were transferred to Flying Scotsman Rail on 1 April 1995. The five civil engineering design offices are being sold separately during the summer.

B. Railtrack

On 1 April 1994 Railtrack became a separate Government owned company instead of a division of British Rail. It employs about 12,000 people (of whom 5,000 are signalmen), organised in ten geographical zones and its chairman is Robert Horton. It owns and manages the vast majority of track, signalling and other infrastructure of Britain's railways. Train operators are granted access rights to the track and are charged for that access. Railtrack is in charge of central timetabling, train planning and signalling and is also responsible for the safety of the operational network. It develops safety policy and strategy under the supervision of the Health and Safety Executive. It also has a property portfolio, including stations, operational railway land, buildings and installations which it took over from British Rail.

Railtrack is the freeholder of passenger train stations and light maintenance depots, which generally it will lease to private sector operators. In most cases, stations and depots will be leased to the passenger train operator which runs most of the services through the station or makes greatest use of the depot. Railtrack will initially retain responsibility for operating the 14 large mainline stations which have scope for commercial trading and property development potential and aims to involve private sector operators as early as possible in developing these stations.

Railtrack will buy in support and other services from the private sector on a competitive basis wherever possible. The intention is that this will improve efficiency and drive costs down. Thus, for example, Railtrack will buy in around £1 billion worth of maintenance and renewal annually from the infrastructure service units being set up within British Rail and due to move to the private sector at a later date.

Railtrack was set up as a commercial undertaking and is required to earn a rate of return set by the Government while it is in the public sector. Its main sources of revenue are the charges it levies on train operators for track access and the lease income it receives for stations and depots. It must fund the maintenance and investment in the rail infrastructure, as well as covering its staff and other costs. According to Railtrack's evidence to the Transport Select Committee, its income for 1994-95 is expected to be approximately £2.4 billion¹¹. Track access income from franchised passenger services amounts to roughly to £2 billion. Income from open access passenger operators is expected to be some £15 million, from freight it is expected to be about £180 million and from property £160 million is forecast. The main difference in 1995-96, will be the 8% reduction in the figure for track access income following the Rail Regulator's review.

Until the company is privatised, it is subject to external financing limits (EFLs). As a public sector company, Railtrack is able to raise funds by borrowing from the National Loans Fund and will be eligible for government grants for socially desirable infrastructure schemes.

¹¹ Transport Committee *Railway Finances* Minutes of Evidence, 5.7.95 - HC 206-II of 1994/95 page 19

The Treasury had originally valued BR's fixed assets at £6.5bn and demanded that Railtrack earn an annual return of 5.1 per cent, rising to 8 per cent after four years. The level of track access charges which would be necessary to meet those charges would have meant that almost all the passenger services would be loss making and so reliant on subsidy. On 17 January 1995, the Rail Regulator published, after consultation, a policy document, *Railtrack's Access Charges for Franchised Passenger Services: The Future Level of Charges*, in which he revised the Treasury's formula. He lowered access charges by 8% in real terms in 1995/96 compared with the previous year. In the five years from 1996/97, charges will fall a further 2% a year in real terms, a total reduction of just under 21% on 1994/95. The Regulator considered this level of income would generate sufficient cash flow to enable Railtrack to finance its investment programme. The new charging regime will reduce the level of government subsidy needed for the railways which may make it easier to sell off the train operating companies but it will also reduce Railtrack's income. This may make it harder to sell Railtrack itself although it could be argued that the new charges provide a more realistic valuation of the company which will in the end make it easier to float it. The Regulator's proposals will reduce the income the Government can expect from the sale of Railtrack. In November 1994 the bankers, Kleinwort Benson, put its value at £3.3 - 4.3bn based on future earnings but this was before the Regulator reduced the track access charges. Current informal estimates seem to be nearer £1.5 to £2 billion¹².

Initially the intention seems to have been to adopt a gradualist approach to the privatisation of Railtrack. The track authority was to earn a commercial return on its assets by charging for line use. The chairman, Mr. Horton, emphasised the importance of greater freedom from Treasury constraints on capital spending. The new company intended to attract private capital and to behave as far as possible like "a commercially driven plc"¹³. The privatisation of Railtrack seemed to be a longer term objective although the Government's intention was always that Railtrack should be profitable and so a suitable candidate for privatisation. By May 1994, there was talk of Railtrack being privatised "before the next election" but following the signallers' strike, the idea appeared to have been shelved¹⁴. At the Conservative Party Conference in October 1994, however, Dr. Mawhinney was again saying, "Our country needs a modern and efficient railway. We will get it by privatising Railtrack, franchising services and selling other parts of British Rail."

Dr. Mawhinney announced the next month that Railtrack would be privatised "within the lifetime of this Parliament" on the grounds that it would offer "the best future for Railtrack, for passengers and freight and for train operators. It will allow greater use of private sector skills in managing the network, improving Railtrack stations, delivering efficient track maintenance and encouraging investment in the upgrading of railway lines. It will provide even greater scope for private capital to be injected into better facilities."¹⁵ Some of the more

¹² *Guardian* 21.5.95 "Railway sell-off struggling to run on time"; *Modern Railways* January 1995 "Railtrack flotation announce - but will Sid buy?"

¹³ *Financial Times* 7.10.93 "Station plan may affect rail sell-off"

¹⁴ *Times* 10.8.94 "Signallers' strikes derail flawed privatisation plans"

¹⁵ HC Deb 24.11.94 c 729

sceptical thought the timing might have something to do with the economic situation and the possibility of future tax cuts.¹⁶

C. Passenger Services

The main change to the structure of the railway industry introduced by the 1993 Act is the separation of responsibility for infrastructure and passenger service operations. The Government's intention is that all passenger services should eventually be provided by private sector operators either acting as franchisees or as independent train operators. The railway network will be divided into a number of franchises, the franchisees providing the bulk of passenger services. Government subsidy will be payable via the Franchising Director to franchisees in respect of socially necessary services that might not otherwise be provided. Competition in the provision of passenger services will be facilitated by allowing independent train operators (ie non franchisee and not in receipt of subsidy) who can meet the necessary operational and safety standards, to have a right of access to the railway network.

The passenger railway is being restructured so that domestic passenger train services can be offered to the private sector to run on a franchised basis. Since 1993 the Office of Passenger Rail Franchising has worked in conjunction with BR, the Train Operating Units (TOUs), the Department of Transport, Railtrack and the Regulator on the preparation of BR's passenger services for franchising. Since 1 April 1994 British Rail has reorganised its passenger services into 25 different TOUs. These TOUs are gradually being incorporated as subsidiaries of British Rail and are starting to run as separate "shadow" businesses within British Rail. They pay access charges for the use of track and infrastructure, and rentals for stations and rolling stock, on the same basis as the franchisees will do after franchising. About half of the operating units have now been vested as subsidiary BR companies. Each now operates under its own licence (granted by the Rail Regulator), its Railway Safety Case (approved by the Health and Safety Executive) and a track access agreement with Railtrack (approved by the Regulator). A wide range of station and depot access agreements (also approved by the Regulator), property leases and other contracts are also required by each train operating business. The objective is to provide financial and operational information and experience of how the business will operate under the new arrangements. It will also give potential franchisees financial and management information to assist them in tendering for the franchises.

Each of the 25 Train Operating Companies as they will have become, will then be offered for sale as a separate franchise. Private sector companies, management employee buy-outs and, if the Franchising Director agrees, British Rail will be able to bid for the franchises through a bidding process overseen by the Franchising Director. The successful bidder will then acquire the TOC outright.

¹⁶ For example see *Modern Railways* January 1995

On 14 December 1994 the Franchising Director published details of the pre-qualification process for the first eight franchises to be let in 1995 (rather more than the six announced the previous year)¹⁷. The first three Invitations to Tender (ITTs) were issued in May 1995 for the following businesses:

- **Great Western** (high speed services between London Paddington and South Wales and the South West) - passenger revenue £156 million;
- **South West Trains** (provides a mix of main line and suburban services radiating from London Waterloo including Portsmouth, Southampton, Weymouth, Reading and Windsor) - passenger revenue £221 million;
- **LTS Rail** (mainly commuter services between London Fenchurch Street, Southend and Shoeburyness via Basildon and via Tilbury) - passenger revenue £53 million.

At the same time draft Passenger Service Requirements were issued for:

- **InterCity East Coast** (high speed services between London Kings Cross and Leeds, Newcastle and Edinburgh (and through services to Glasgow, Inverness and Aberdeen) - passenger revenue £217 million;
- **Midland Main Line** (high speed services mainly between London St Pancras and Derby, Nottingham and Sheffield via Leicester) - passenger revenue £158 million.
- **Gatwick Express Limited** (fast and frequent services between London Victoria and Gatwick Airport) - passenger revenue £27 million;
- **Network SouthCentral** (serving mainly Sussex and Surrey) - passenger revenue £158 million;
- **ScotRail** (operates the majority of passenger services in Scotland. It also provides services around Glasgow for the Strathclyde Passenger Transport Executive. The ScotRail franchise will also include Anglo-Scottish sleeping car services) - passenger revenue £90 million;

ITTs are expected to be issued for all these, except ScotRail, in September 1995. Scotrail is likely to be delayed until next year.

The Franchising Director had also hoped to invite tenders for **InterCity West Coast** (passenger revenue £221 million). Franchising this route has been complicated by the concurrent modernisation of the West Coast Main Line proposed by Railtrack. The franchise therefore differs from the other franchises that are being offered in that it will be required to be comprehensively modernised during the life of the franchise. The Franchising Director

¹⁷ OPRAF press release, 14.12.94

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therefore hoped to invite expressions of interest from potential bidders including proposals for interaction with the modernisation programme, perhaps as part of a longer franchise. Lack of any response has meant the sale has been deferred for a year.

The remaining train services are:

Anglia Railways - passenger revenue £31 million

Cardiff Railway - passenger revenue £6.5 million

Central Trains - passenger revenue £70 million

Chiltern Railway Company - passenger revenue £15 million

CrossCountry Trains - passenger revenue £112 million

Great Eastern - passenger revenue £108 million

Merseyrail Electrics - passenger revenue £21 million

North London Railways - passenger revenue £52 million

Regional Railways North West - passenger revenue £47 million

Regional Railways North East - passenger revenue £62 million

South Wales and West Railway - passenger revenue £39 million

Thameslink - passenger revenue £61 million

Thames Trains - passenger revenue £39 million

The South Eastern Train Company - passenger revenue £205 million

West Anglia Great Northern Railways - passenger revenue £103 million

Island Line (passenger revenue 0.9 million). The Isle of Wight line was one of the first franchises identified by the Government. Exceptionally it will be franchised on a vertically integrated basis and its preparation therefore requires special consideration.

D. The Rail Regulator

The Rail Regulator is appointed under section 1 of the *Railways Act 1993* and is responsible, since 1 April 1994 when the relevant sections of the legislation came into effect, for issuing

licences to railway operators. In general all companies operating railway assets will need to be licensed. The Regulator is responsible for enforcing licence conditions concerning such matters as policing, the environment, insurance requirements and through ticketing. No track, train, station or depot may be operated without a licence. He will also approve access agreements between Railtrack and the train operators by which the latter acquire the right to use the track, stations and light maintenance depots, and he may modify them. He will allow closures subject to an appeal to the Secretary of State and is responsible for establishing the Rail Users Consultative Committee. He is guided in his duties by section 4(1):

General duties of the Secretary of State and the Regulator.

4.—(1) The Secretary of State and the Regulator shall each have a duty to exercise the functions assigned or transferred to him under or by virtue of this Part in the manner which he considers best calculated—

- (a) to protect the interests of users of railway services;
- (b) to promote the use of the railway network in Great Britain for the carriage of passengers and goods, and the development of that railway network, to the greatest extent that he considers economically practicable;
- (c) to promote efficiency and economy on the part of persons providing railway services;
- (d) to promote competition in the provision of railway services;
- (e) to promote measures designed to facilitate the making by passengers of journeys which involve use of the services of more than one passenger service operator;
- (f) to impose on the operators of railway services the minimum restrictions which are consistent with the performance of his functions under this Part;
- (g) to enable persons providing railway services to plan the future of their businesses with a reasonable degree of assurance.

(2) Without prejudice to the generality of subsection (1)(a) above, the Secretary of State and the Regulator shall each have a duty, in particular, to exercise the functions assigned or transferred to him under or by virtue of this Part in the manner which he considers is best calculated to protect—

- (a) the interests of users and potential users of services for the carriage of passengers by railway provided by a private sector operator otherwise than under a franchise agreement, in respect of—
 - (i) the prices charged for travel by means of those services,
 - and
 - (ii) the quality of the service provided,

in cases where the circumstances appear to the Secretary of State or, as the case may be, the Regulator to be such as to give rise, or be likely to give rise, to a monopoly situation in the passenger transport market; and

- (b) the interests of persons providing services for the carriage of passengers or goods by railway in their use of any railway facilities which are for the time being vested in a private sector operator, in respect of—
- (i) the prices charged for such use; and
 - (ii) the quality of the service provided.

In addition he is required to have regard to the financial position of the franchising director and of Railtrack and to act in a way which will not make it unduly difficult for network operators to finance their activities (section 4(5)b&c). Other duties relate to safety measures, environmental effects and the interests of disabled users. Until 31 December 1996, he also has a duty to take into account any guidance given him by the Secretary of State (section 4(5)a). A General Authority under section 8 and Guidance under section 4(5)(a) were given to the Regulator in March 1994.

John Swift was appointed the Rail Regulator in December 1993, once the *Railways Bill* was passed by Parliament. He had been advising on the job since the previous January. The job is for 5 years and may be renewed. He published his first annual report on 19 October 1994 in which he stressed his independence of Government and the need for him to demonstrate that he was acting fairly, reasonably and with due regard for his statutory powers. He also stated his commitment to promoting the public interest and to openness. His second annual report was published in July 1995 and covered the period 1 April 1994 to 31 March 1995, his first full year. The Office of the Rail Regulator has published a variety of reports, including documents on *Ticket Retailing*, *Competition for Railway Passenger Services* and *Railtrack's Access Charges for Franchised Passenger Services: The Future Level of Charges*. These are considered in the next section.

E. The Franchising Director

The *Railways Act 1993* also provides for the appointment by the Secretary of State of a Director of Passenger Rail Franchising, or Franchising Director. The first Franchising Director, Mr. Roger Salmon, was appointed on 8 November 1993 for a term of 5 years. OPRAF has been constituted as a non-ministerial Government Department since that date. The Franchising Director is responsible for securing the provision of railway passenger services by entering into franchise agreements, with franchisees being selected through a competitive tendering process. His main functions as laid down in the Act are¹⁸:

- to designate passenger rail services or groups of such services eligible for provision under franchise agreements;
- to invite tenders from prospective franchisees for the provision of services and to enter into franchise agreements;

¹⁸ As set out in the OPRAF Annual Report 1993/94

- to consider whether provisions are necessary to ensure that the fares to be charged by franchisees are reasonable, and to secure the participation by franchisees in approved discount fare schemes;
- to form a view on proposed closures of passenger services and to initiate the formal closure procedures or, if his view is that a closure should not be permitted to take effect, to secure the continuation of the service;
- to enter into contracts with BR for the provision of non-franchised passenger services prior to these being franchised;
- to encourage railway investment;
- to promote the provision of staff concessionary travel;
- to provide support for those passenger services which BR provide under the European Community regulations governing the public service obligations which may be imposed on operators of passenger rail services.

The Act requires the Franchising Director to exercise his statutory functions so as to fulfil objectives given to him by the Secretary of State and to ensure that his expenditure represents value for money in achieving these objectives. The Secretary of State has set the Franchising Director the following principal objectives¹⁹:

- to secure that railway passenger services in Great Britain, other than exempted services, are provided under franchise agreements as soon as reasonably practicable; and
- to secure an overall improvement in the quality of railway passenger and station services available to railway passengers.

Other objectives set by the Secretary of State are:

- to encourage efficiency and economy in the provision of railway services;
- to promote the use and cost-effective development of the railway network;
- to promote the award of franchise agreements to companies in which qualifying railway employees have a substantial interest.

¹⁹ Department of Transport press notice, 22 March 1994

Relations between the Regulator and the Franchising Director

The Regulator and the Franchising Director have complementary functions in controlling the restructured railway industry. The *Railways Act*, the Regulator's General Authority and Guidance and the Franchising Director's Objectives, Instructions and Guidance from the Secretary of State define the respective roles of the Regulator and the Franchising Director. The following summarises certain significant points of interface between these two statutory offices:

- The Regulator and the Franchising Director both exercise enforcement powers. The Regulator has powers to ensure compliance with licence conditions and fulfilment of relevant duties by persons under closure restrictions; the Franchising Director's powers relate to compliance with franchise agreements.
- The Regulator must have regard to the financial position of the Franchising Director, who in turn must provide relevant financial information reasonably requested by the Regulator.
- The Regulator should exercise his functions so as to facilitate the achievement by the Franchising Director of his objective of securing that passenger rail services are provided under franchise agreements as soon as reasonably practicable.
- Proposals by the Franchising Director for the moderation of competition on particular routes are to be discussed with the Regulator who should allow moderation where necessary to facilitate the grant of franchises.
- The Franchising Director, but not the Regulator, has the power to impose Public Service Obligations and to require operators to enter into public service contracts.
- The Franchising Director must consult the Regulator on the inclusion of provisions requiring the charging of reasonable fares in a franchise agreement.
- The Regulator, when requested to do so by the Franchising Director or when he considers it appropriate, may give to the Franchising Director any information relevant to the Franchising Director's functions.

A memorandum of understanding, which will not be legally binding, is in the process of being developed between the Regulator and the Franchising Director and is intended to record their understanding on certain matters of mutual concern and interest.

F. Rail Users' Consultative Committee

The Central Rail Users Consultative Committee and the eight Rail Users' Consultative Committees were set up under the *Railways Act* section 3. Their duties are set out in sections 76-79 and are basically to protect the interests of the users of the services and facilities provided on the rail network. The RUCCs are appointed and funded by the Regulator. The CRUCC co-ordinates the work of the RUCCs and deals with issues affecting rail users generally.

The committees take up rail users complaints when further help is needed to obtain a satisfactory response from operators. The Regulator can refer matters to the RUCCs for investigation and the RUCCs can ask the Regulator to use his powers to take action where necessary. The Franchising Director can also ask RUCCs to report on the extent to which franchises standards are being attained by train and station operators. They have a special responsibility for assessing the effect on users if stations or lines are proposed for closure. They have to report to the Regulator on hardship caused by closure and may make recommendations to lessen the impact of any proposed closure. They also regularly discuss fares, quality of service and policy issues affecting their area.

Locally the RUCC is keeping watch on punctuality and reliability of train services, timetable changes, overcrowding, cleanliness, fares, quality and design of trains, tickets (both purchase facilities and ticket inspection), station facilities, and provision of information at stations, on trains and by telephone.

In many respects the duties of the new committees reflect the former Transport Users Consultative Committees:

- the Committees' consultative status remains, with the authority to consider matters affecting rail users and to make independent reports;
- the CRUCC will continue to monitor policies and performance from a national perspective;
- the CRUCC will continue to exercise a co-ordinating role in relation to the RUCCs;
- the RUCCs will continue to take up unresolved complaints and report on hardship when stations and lines are proposed for closure.

But there have been some important changes:

- Committee meetings will be held in public;
- the Committees will have the ability to consider fares and reductions in service;

- the Committees will have strong links with the Rail Regulator's organisation and can be asked to undertake investigations on his behalf;
- Committee recommendations can be made to the Regulator with a view to enforcement;
- the Committees are legally empowered to make representations to franchisees and to the Franchising Director;
- RUCCs can be asked to assist the Franchising Director in investigating whether franchise operators are meeting their standards;
- the Committees must take value for money into account when recommending changes

G. Passenger Transport Executives

The Passenger Transport Executives are controlled by their respective Passenger Transport Authorities and are responsible for drawing up local public transport policies for the seven metropolitan areas outside London (six in England and Strathclyde in Scotland). It is the duty of a PTE for any passenger transport area to secure the provision of such public passenger transport services as they consider appropriate in accordance with policies formulated by their PTA.

The PTEs have the power to secure passenger rail services in their areas under section 20 of the *Transport Act 1968*. This enables PTEs to enter into agreements with British Rail to support passenger rail services and they individually contract with British Rail for the provision of these services in their areas. Central government provides support for the net cost of such services, which is channelled to the Metropolitan District Councils through the revenue support grant paid under the *Local Government Act 1988*. Allowance for supporting these services is made in the standard spending assessments (SSAs) of the metropolitan districts - the so-called "bolt-on". The additional SSA for each metropolitan county area is determined by the Secretary of State for Transport on the basis of a formula derived from the length of route miles of each of the local rail networks and its infrastructure costs. Each metropolitan district receives a share of the total for its metropolitan county area proportionate to its population.

SSAs for local authority support for rail services from 1989-90 to 1994-95 for each metropolitan area in England are shown in the following table²⁰.

²⁰ *Department of Transport, "Transport Report 1995", Cm 2806*

*SSAs for local authorities support for rail services
1989-90 to 1994-95: and Metropolitan Railway Grant 1994-95*

£ million	SSAs						MRG	
	1989-90		1990-91	1991-92	1992-93	1993-94	1994-95	1995-
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Estimated Outturn
Greater Manchester	20	21	26	28	28	28	28	46
Merseyside	15	17	20	23	25	26	25	34
South Yorkshire	5	6	7	9	9	9	9	11
Tyne & Wear	7	8	9	10	11	12	11	5
West Midlands	11	13	15	17	18	18	19	22
West Yorkshire	13	13	16	19	20	21	21	30
Total	70	77	93	105	110	113	113	146

The reorganisation of the railway industry brought in by the *Railways Act 1993* has led to changes in the way in which PTAs are charged for the services they support. In particular, instead of being treated as marginal users of the network, they are now expected to bear the full cost of the services they support and so information is required about the levels of access charges and rolling stock leasing charges. This could not be provided at an early enough stage for the calculations of Revenue Support Grant to be made for 1994/95 and 1995/96 as it was not possible to identify fully the extra costs to the PTEs of British Rail's services. Consequently, in order to meet the extra costs facing PTEs, the Government introduced Metropolitan Railway Grant as a transitional measure in 1994/95 to meet the funding gap between the RSG and the extra costs of the revised charging regime.

The Metropolitan Railway Grant is made by the Secretary of State for Transport under section 88B of the *Local Government Finance Act 1988* as amended by schedule 10, para. 18 of the *Local Government Finance Act 1992*. Section 88 of the *Local Government Finance Act* allows a Secretary of State to make special grants to local authorities, over and above RSG, for particular purposes. MRG comes into this category and was intended as a transitional one-off grant, with the relevant costs again being funded through the revenue support grant in future years. However on 14 June 1995 the Minister announced that it would also be paid in 1995-96²¹.

²¹ HC Deb 14.6.95 c 531w

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The estimated outturn of MRG payable to English PTAs in 1994-95 was £146 million and to Strathclyde PTA, £70 million²². In 1996-97 Metropolitan Railway Grant will be replaced with an enhancement of the SSA "bolt-on" grant²³.

H. Safety

In January 1993, the Health and Safety Commission published a report *Ensuring Safety on Britain's Railways* and the Government accepted in full their recommendations on how best to secure safety under the privatisation proposals.

The safety controls established included:

- i A validation procedure for railway operators. Infrastructure controllers (in practice Railtrack), train service operators and station operators are required to produce a Railway Safety Case (RSC) stating how they will meet all the safety requirements. The RSC demonstrates that an operator has the systems in place to manage operations safely and meets required safety standards. It includes a safety policy, risk assessment, a description of safety management systems, and the safety side of maintenance and operational arrangements. The infrastructure controller's safety case is to be validated by the HSE and the operators' RSCs by the infrastructure controller. RSCs will be required to be updated. Railtrack's safety case was validated by the HSE in March 1994.
- ii The Health and Safety Executive carry out certain functions for the Secretary of State through HM Railway Inspectorate. The Chief Inspecting Officer of Railways advises on matters of safety and on technical matters relating to the railways. The HSE sets or recognises safety standards for the industry including standards and arrangements for assessing competence of key safety personnel.
- iii New regulations for the Railway Safety Case and for safety standards on such matters as the passing on of safety information and the carriage of dangerous substances for example can be made under the *Health and Safety at Work Act 1974*.

In effect this means that the immediate responsibility for ensuring safety in the restructured railways rests with the party who is in control of the activity, whether it be the trains or a station. However, Railtrack, as the 'Infrastructure Controller', is responsible for the integrating of the system itself and is able to impose conditions on access and to monitor an operator's performance to ensure compliance with these conditions. To facilitate this overall responsibility, the safety professionals at British Rail were among those transferred to Railtrack on 1 April 1994. Regulations require that operators should comply with the

²² *Scottish Office*, "Serving Scotland's Needs" March 1995 Cm 2814

²³ HC Deb 25.4.95 c 507w

reasonable directions of the Infrastructure Controller and reinforcing this, access agreements include a general provision that there should be compliance with specified safety requirements.

I. European Community

In January 1990 the European Community prepared the *Communication on a Community Railway Policy* for the Council of Ministers and this was the starting point of an active involvement of the Community in rail policy.

Directive 91/440 on the *Development of the Community Railways* followed up many of the ideas contained in the paper with the aim of adapting the railways to the needs of the single market and of increasing their efficiency²⁴. The Commission thought the relationships between the state and the railways needed to be clarified and that the railways needed to be able to behave as commercial enterprises. The communication and the directive both stressed several times the importance of management autonomy and the necessity of using uniform accounting methods. It sought to introduce greater financial discipline and more operational competition both nationally and across borders. National railways are being pressed to separate track infrastructure from train operations or, at the very least, to produce transparent accounts revealing the respective costs and revenues attributable to infrastructure and to services. The directive does not require that the two activities be conducted in different institutions, nor even in distinct divisions within the same institution, but it does stress that this is possible. It is up to each member state to decide how they wish to organise their railways but it must be possible to attribute costs. The directive stresses the need for new enterprises to be able to enter the market, particularly through the creation of "international groupings" of railway undertakings and it approved the adoption of a high-speed community rail network, parts of which would be eligible for community financing. A separate point, not covered by directive 91/440, was the unifying of the market for rail equipment so that an invitation to tender was open on equal terms to all producers in the Community.

The Community's proposals on infrastructure charging lay down a set of common principles, while leaving the level of charges to be determined by the infrastructure manager. The directive proposes that users pay in full the real costs of the facilities they require and that the infrastructure manager should cover the full cost of the system. Fees should not be set lower than the marginal costs of a line. Charges should be non-discriminatory when charging for services of an equivalent nature. However, infrastructure managers should have the ability to market infrastructure capacity by setting fees to reflect demand for a train path. Exemptions from these principles should be allowed where a line meets specific technical requirements for only one operator. In addition the Commission proposes that certain types of service in certain areas be given a priority right of access to ensure adequate public services.

²⁴ Dir 91/440/EEC on the development of the Community's railways, 29 July 1991

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The interest of the EC directive is less to do with the structure of the railways than the desire to enable railway operators to run their trains more easily on other rail networks and to ensure that they can compete as completely as possible on a common European infrastructure. Underlying the directive is the belief that whichever way infrastructure is to be managed, the question of who will be granted access to the infrastructure and on what terms is of fundamental importance.

The 1991 directive was followed by a proposal on the allocation of railway infrastructure capacity and the charging of infrastructure fees.²⁵ This proposed directive is intended to supplement and facilitate the application of directive 91/440 on the development of the Community's railways.

A working group had been set up to develop the idea of a European high speed train network and it produced an interim report at the end of 1990. This outlined plans for a network and identified certain key links which needed further study. A final version is expected shortly as part of the general trans-European transport network covering all types of transport. At the time of the interim report, the Council passed a resolution on 17 December 1990, asking for more detailed work to be carried out on technical harmonisation. The subsequent proposal on the interoperability of the European high-speed train network concentrates on technical requirements but also includes some operational and administrative requirements which would be necessary for the "completion and exploitation of an integrated, coherent and interoperable trans-European network on the most economically efficient terms"²⁶. The aim of the proposed directive is to make it easier for train operators to use the systems in other member states by ensuring infrastructures, equipment and rolling stock are all compatible and also to assist the EC railway manufacturing industry by the adoption of common standards. Since the original text was published, there has been some clarification of its contents and it now appears that the proposal will not require interoperability from every point in the network to every other point in the network, but only where necessary for the operation of international services over the network. Nor will the directive apply to domestic services which run over the network map. The requirements will not be retrospective and will be applied gradually as existing lines are upgraded and new ones constructed.

²⁵ EC draft 11502/93 COM(93) 678 final

²⁶ EC draft 6495/94 COM(94) 107 final

III Regulatory Agreements

A. Track Access Agreements

The restructuring of the railway industry centres on the separation of the ownership of the track from that of the train operations. The track, stations and signalling infrastructure is owned by Railtrack while the operation of the train services will be franchised to other privatised companies. Each of these will have to pay access charges to Railtrack for the use of its infrastructure. Under the *Railways Act 1993*, section 18, access agreements have to be approved by the Regulator. Under section 21 the Regulator may prepare and publish model clauses for inclusion in access agreements.

The Regulator has to approve each access agreement on its own merits but in October 1994 he thought it helpful to issue a policy statement on the criteria he would adopt in approving agreements. This was updated in March 1995²⁷. The aim is to ensure that agreements are reached which protect the interests of travellers, promote the development of the rail network, and enable companies providing railway services to provide for the future. Issues on which the document sets rules include:

- Access agreements must be flexible enough to allow for flexible railway operations without the need continually to consult the Regulator, but they should also ensure his intentions cannot be flouted.
- Agreements must contain "reopener provisions" to allow changes to be made to, for example, franchise periods and levels of charges, after the Regulator updates his policy statements.
- Timetables which make it difficult for Railtrack to franchise routes to other operators would be subject to close scrutiny. Operators and Railtrack may agree times of first and last trains; maximum journey times and fastest journey times; key connections.
- Rules on charging and competition to reflect the Regulator's policy statements on these issues. The Regulator has produced draft model clauses on this.
- Railtrack will be expected to show that it has plans to renew track which matches the sums it sets aside for depreciation in its accounts. Agreements must also include clauses which provide an incentive to Railtrack to improve the performance of the track network.

²⁷ Office of the Rail Regulator *Criteria for the Approval of Passenger Track Access Agreements* 2nd edition March 1995

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- Railtrack and the train operators must negotiate agreements which compensate the train operators if maintenance work takes longer than planned and they are unable to use the track.
- Train operators will be expected to adopt flexible computer networks which do not tie them into expensive and inappropriate systems.

In December 1994 the Office published a similar policy statement setting out the principles and processes the Regulator was likely to adopt in approving freight track access agreements²⁸.

The initial access contracts put in place with British Rail on 1 April 1994 were not subject to the Regulator's approval but it was agreed between the Regulator and the Secretary of State for Transport that the new train operating companies should have their own individual access agreements with Railtrack, even before they were franchised. Railtrack's main source of revenue is the charge it levies on train operators for track access. The Treasury had originally demanded that Railtrack earn an annual return of 5.1 per cent, rising to 8 per cent after four years. The level of track access charges which would have been necessary to meet those charges would have meant that almost all the passenger services would be loss making and so reliant on subsidy. In February 1994, it was estimated that the rail passenger operators could expect to pay about £2.2bn in charges to run their trains. In July 1994 the Regulator issued a consultation document on passenger access charges and his conclusions were published in two stages, the first covering the structure of the charges²⁹ and the second the level of charges³⁰.

The Regulator concluded that charges should be rebased in 1995-96 with an overall reduction in access charges for franchised passenger services of 8% in real terms compared with 1994-95. Individual track access charges for franchised passenger services should fall by 2% a year in real terms from 1996-97 onwards, broadly in line with the reduction in Railtrack's overall costs. There should be a further review of access charges in 2000 with the conclusions to be reflected in all access agreements for franchised passenger services from 1 April 2001.

The starting point for the discussion about track access charges was the government's policy document³¹ published in February 1993 on the make-up of track access charges, which said:

"Access charges for the first franchises across the network will be set by Railtrack taking into account all the costs associated with providing the facilities and services to support the franchise. The level will be determined after taking into account the

²⁸ Office of the Rail Regulator *Criteria and Procedures for the Approval of Freight Track Access Agreements* December 1994

²⁹ Office of the Rail Regulator *Railtrack's Track Access Charges for Franchised Passenger Services: Developing the Structure of Charges: a Policy statement* November 1994

³⁰ Office of the Rail Regulator *Railtrack's Access Charges for Franchised Passenger Services.: The Future Level of Charges* January 1995

³¹ Department of Transport, *Gaining Access to the Railway Network* February 1993

contributions to common costs which Railtrack expects to receive from freight and non franchised passenger operators. Charges will comprise a fixed and a variable usage-related component. The fixed component will cover those fixed costs which are directly attributable to the operator and an allocation of common costs. The variable component will relate to avoidable costs directly associated with the frequency and timing of service". (paragraph 6.9)

The variable and fixed components were further identified by Railtrack as follows³²:

The Variable Component

This reflects the costs incurred which vary with the volume of the operator's traffic, with the nature of the equipment used and to some extent, with the timing of the traffic, but probably only make up about 9% of the costs. There are two parts to the variable component:

- 1) Track usage charges reflect the costs of wear and tear by trains and vary according to the type and number of trains. Electric trains also incur traction current charges based on the consumption of current by trains, again varying with the type and number of trains. Franchisees' payments will vary with usage according to a tariff agreed at the outset with Railtrack.
- 2) Peak charges reflecting peak demand. Railtrack intends to levy peak charges for access to congested infrastructure at peak times. The mechanism and timing of this is still being developed.

The Fixed Costs

These probably account for over 90% of the charges. They can be divided between:

Directly attributable:

These are 'long-run avoidable costs' which arise specifically from the particular service requirements of the franchisee. They reflect the type of service the franchisee operates, but do not vary with short term changes in usage. They are the costs of maintaining parts of the railway infrastructure that would not be needed if the franchisee's services were not operated. If the franchisee is sole operator on a section of track, the whole cost of that section would be avoided if that operator ceased to run the service. Where the track is used by two or more operators, the avoidable element is the cost which would not arise if the franchisee's trains did not operate.

³² Railtrack *Track Access Charges* April 1994

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Common costs:

On sections of track used by more than one operator, there will be costs which cannot be attributed easily to one operator so these will be divided between them as a common cost. They fall into three categories:

- 1) Costs incurred by the use of specific sections of track. If there is more than one operator they will need to be recovered from all users of the route.
- 2) Costs which can only be identified by a geographic area. These are costs such as signalling which relate to more than one line of route. Again they will need to be recovered from all users of the route.
- 3) Network costs. Essentially the core overheads of providing the network which cannot be broken down more specifically.

There is no single figure for charge per mile for track usage within the variable component. Railtrack calculate a variable charge per mile for each train type which may vary with time of day reflecting higher charges for peak usage. These figures are derived using a suite of computer programs inherited from British Rail and are commercially confidential. The Rail Regulator in his November 1994 document on the structure of charges was most concerned to ensure greater transparency and variability in charges and the need to consider the allocation of revenue risk between Railtrack and train operators. His conclusions resulted in some changes to the basis of variable charges to increase accuracy, but primarily concerned the provision of more information on costs and charges.

In respect of the level of the charges, the Regulator was most concerned with the scope for improvements in efficiency, the relationship between depreciation charges and renewals spending, and the appropriate return on Railtrack's assets. He was not persuaded that Railtrack needed to earn an 8% real return on the modern asset value (MEAV) of its assets to be able to finance its activities. Instead of taking a view of a particular capital value, he instead considered the profile of charges which were needed to balance the activities and considered a reduction in charges and profits could be achieved without making it unduly difficult for Railtrack to finance its activities, whether in the public or private sector.

Additional charges will be levied for the use of stations and to fund specific new investment projects. A system of performance-related payments will also be used to reflect achievement of quality of service objectives - for example the punctuality of trains. Charges to freight and open-access passenger operators will be negotiated directly and reflect the value to operators of using rail infrastructure and will also recover at least the avoidable costs which they generate³³.

³³ Office of the Rail Regulator *Framework for the Approval of Railtrack's Access charges for Freight Services: a policy statement* February 1995

B. Competition

In July 1994 the Regulator published a consultation paper on competition in railway passenger services and in December he published his policy statement on the subject³⁴. The Regulator accepted that competition would have to be moderated to an extent in order to secure a successful transfer of passenger operations to the private sector through franchising. He remains convinced that there are substantial benefits to both the train operators and the passengers through increased competition but concluded that for an initial period, competition between operators should be restricted. Only companies that take up train operating franchises will be allowed to offer passenger services during the first four years of privatisation and severe restrictions will be imposed on new entrants for three years thereafter.

C. Ticketing and Information

The Regulator's functions under the *Railways Act* enable him to concern himself with a wide range of consumer interests. In cases where he does not have a statutory function, he frequently has a formal right to be consulted. In some areas he recognises that the benefits that an integrated network can provide may need protecting and he expects to secure many of these benefits through conditions in operators' licences. These will require operators to participate in industry-wide arrangements covering:

- through ticketing and ticket retailing
- telephone enquiry bureaux
- publication of the national timetable and the sharing of operating information between licence holders
- insurance
- claims handling

In January 1995 the Regulator published a consultation paper on the retailing of tickets partly to pre-empt the submission of a new type of ticketing system by the train operators. The government had given a firm commitment that through ticketing - the ability in one transaction to purchase a ticket for a journey using the services of more than one operator - would be maintained after privatisation. The *Railways Act* made provision for this to be a condition of a passenger service operator's licence. The idea originally was that the use of British Rail's existing ticketing and revenue allocation systems would mean that operators would be able to offer through tickets on much the same basis as did BR. Through tickets would therefore continue to be available from a range of outlets and in a range of ticket and

³⁴ Office of the Rail Regulator *Competition for Railway Passenger Services* December 1994

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fare types.³⁵ It would of course be for the operators to determine the prices of through tickets by negotiation subject to any constraints on fares imposed by the Regulator or the Franchising Director. At the time the Bill went through Parliament no discussion appears to have taken place on the selling of tickets at stations and the only mention seems to have been:

Mr MacGregor:The Bill will give general powers to the regulator and the franchising director to ensure that key network benefits are maintained. For example, we shall require through ticketing to be provide at all major ticket offices³⁶.

In the consultation paper, *Retailing of Tickets at Stations*, the Rail Regulator commented that there was no reason to follow BR's practice unless there was a good reason for it. There are about 2,500 stations in the BR network and about 1,300 of these are staffed and have ticket issuing equipment which, if there were sufficiently trained staff and access to information on the national timetable and fares, could be used to provide through-tickets. In practice it is unlikely that all do so at present and so interested parties were asked to consider the possibility of a new type of system based on what was called core products - a wide range of tickets which must be offered for sale - and core stations - those required to sell the core products. The proposals in the paper would have resulted in only 294 stations being designated core stations. The document produced considerable adverse reaction including a debate in the House of Commons on 18 January 1995³⁷. In April the Regulator published his conclusions³⁸. He decided that operators should be obliged to maintain the service currently provided although there would be a procedure to allow for changes in the system provided they could be shown to improve the system for the customer.

A PQ set out the position regarding the provision of information by the train operating companies³⁹:

Mr. Tyler: To ask the Secretary of State for Transport if he will make it an essential requirement for a successful franchise bid for a rail service that the operating company participates in a national timetable information system for passengers. [34857]

Mr. Watts: Yes. Operators will be required to participate in a national telephone inquiry service to ensure that there is clear and accurate information about train services available nationwide. In addition, all operators will be required to make available at each station clear and up-to-date information about all rail services that use the station and all stations that they serve.

³⁵ Department of Transport press notice 2.2.93

³⁶ HC Deb 2.2.93 c 170

³⁷ HC Deb 18.1.95 cc 715-822

³⁸ Office of the Rail Regulator *Ticket Retailing: A policy Statement* April 1995

³⁹ PQ HC Deb 18.7.95 c 1014w

D. Franchises

A franchise is the right to run specified services within a specified area for a specified period of time, in return for the right to charge fares and, where appropriate, to receive support from the Franchising Director. Service standards will be monitored by the Franchising Director throughout the duration of the franchise. Franchisees will earn revenue primarily from fares and from subsidy. They will generally lease stations from Railtrack and earn rental income by sub-letting parts of them, for example to retailers. The rights and obligations are to be specified in a franchise agreement between the Franchising Director and the train operator. Each franchise will be negotiated individually with the Franchising Director. Franchisees will have to co-operate in certain central arrangements such as those necessary to provide through-ticketing and revenue settlement between train operators.

Franchisees' main costs will be the track access charges they pay to Railtrack, the costs of leasing stations and rolling stock and of employing staff. Franchisees may do light maintenance work on rolling stock themselves or contract it out to private sector companies. Heavy maintenance will normally be procured for them by the ROSCOs according to the contracts between them.

The sale of the franchises will have five stages:

- pre-qualification;
- invitation to tender;
- due diligence by potential bidders;
- submission of tenders;
- assessment of tenders and award of the franchise.

On 21 August 1994 OPRAF published a programme for the sale of the 25 franchises⁴⁰. On 14 December the Franchising Director published details of the pre-qualification process for the first eight franchises to be let in 1995 (rather more than the six announced the previous year)⁴¹. Pre-qualification is a statutory requirement. Its purpose is to enable OPRAF to obtain the necessary information to compile a list of suitable bidders, to whom invitations to tender will be issued in due course. Prospective franchisees who pre-qualify will receive an Invitation to Tender (ITT) and associated Information Memorandum. The first three ITTs were issued in May 1995 for the following businesses⁴²:

⁴⁰ OPRAF press release, 21.4.94

⁴¹ OPRAF press release, 14.12.94

⁴² OPRAF press release 17.5.95

- Great Western
- South West Trains
- LTS Rail

Draft Passenger Service Requirements were issued at the same time for:

- InterCity East Coast
- Midland Main Line
- Gatwick Express Limited
- Network SouthCentral
- ScotRail

ITTs are expected to be issued for all these, except ScotRail, in September 1995. Scotrail is likely to be delayed until early next year.

The Franchising Director also hoped to invite tenders this year for InterCity West Coast. but he has announced that no further progress will be made with this franchise until at least next year.

Franchises will operate as commercial businesses. Prospective franchisees will include within their bids either the premium they are prepared to pay for the right to operate services, or the level of support they estimate they will require. Tenders may also include proposals for new services or improved facilities.

The principal factors the Franchising Director will consider when awarding franchises will include the level of support bid for, the service commitments offered and the degree of risk accepted by the prospective franchisee. The Franchising Director has stated that, in negotiating franchises, he wishes to give franchisees as much scope as possible to maximise their return on the operation of passenger services, consistent with a high quality railway system, a good service for passengers and value for money for the taxpayer. On the expiry of the franchises, new franchises will be offered for tender.

Roger Salmon announced on 14 December 1994 that "Passengers can be assured that I will be building in safeguards for all existing routes and stations, to maintain network benefits, to regulate fares for commuters, and to assume that franchise operators meet the needs of passengers". These safeguards are⁴³:

⁴³ OPRAF news release 14.12.94 p.2

"Required Services - a Passenger Service Requirement (PSR) on operators to provide a defined level of services. This will cover frequency of trains, stations served, journey times, first and last trains, weekend services and, where necessary to prevent overcrowding, capacity standards. Every route and station will be included in the PSR. Operators will be free to run services above those required by the Franchising Director.

Through Tickets - through tickets will continue to be available for all journeys. As now, passengers will be able to buy an inter-available ticket on most routes. This extends across a range of fares including full price and discount tickets. In future, the Franchising Director will only remove the inter-availability requirement where he considers that there are likely to be greater benefits for passengers, such as more choice or lower fares .

Railcards - Young, Senior and Disabled Person Railcards will be mandatory, as will the London Travelcard. Operators have agreed voluntary arrangements to enable them to continue to provide other Railcards (e.g. Family and Network).

Fares Regulation - the Franchising Director will regulate fares for commuter journeys into London and for some other routes. Permitted fare increases will be linked to the quality of service provided. PTEs will regulate fares in their own areas.

Ensuring Franchise Performance - there will be financial incentives for operators to deliver good quality service. Regular customer satisfaction surveys, independently audited, will be carried out on issues important to passengers. Franchise operators will be required to produce a Passenger's Charter with, as now, published standards of performance and compensation arrangements".

The Franchising Director sets out a level of services in the PSR, based on the current timetable, which the franchisee must operate. It in effect provides the level of service which the Franchising Director is buying and for which he will make support payments, if necessary, under the Franchise Agreement. Theoretically it protects existing routes and stations as the Director was instructed that "for the initial letting of franchises, your specification of minimum service levels... is to be based on that being provided by BR immediately prior to franchising"⁴⁴. In fact a distinction is made between the uneconomic services for which the PSR will be very similar to the existing timetable and the commercial routes such as the successful inter-city routes. In these cases the Franchising Director does not consider that he should be subsidising profitable routes and the PSR is likely to include only a token reference. Franchisees can run extra services according to their commercial judgment and are given the

⁴⁴ Department of Transport *Objectives, Instructions and Guidance to the Franchising Director from the Secretary of State for Transport* 22.3.94

flexibility to determine detailed timetables in conjunction with Railtrack. Each PSR is specific to the franchise. The Franchising Director's publication in January 1995 of his consultation paper on the PSRs for the first four services to be let to the public sector caused another furore and another debate in Parliament⁴⁵ as the minimum requirements were considerably below the service levels currently provided.

The Franchising Director announced that 37 organisations had applied to pre-qualify for the first group of eight passenger rail franchises although it was not announced whom they were⁴⁶. No details as to the names or numbers of those tendering will be given until the official announcement is made later in the year.

⁴⁵ HC Deb 7.2.95 cc 202-250

⁴⁶ PQ HC Deb 23.3.95 c 318-9w

IV Finance

The House of Commons Transport Committee decided to look at the state of railway finances and the resulting report, together with the evidence, contain a useful source of information about the financial organisation of the rail industry⁴⁷.

Prior to 31 March 1994 Passenger Services Obligation (PSO) Grant was paid to British Rail by the Department of Transport to bridge the gap between total passenger revenues and the cost of maintaining services broadly at the level prevailing in 1974. The cost of maintaining line used by passengers (more than 90% of the network) was essentially covered by the PSO grant. Freight was expected to pay its way operationally and to cover the cost of freight-only lines but was charged for the use of passenger lines on a marginal cost basis. Inter City routes ceased to benefit from PSO grant in 1988 and so from 1988-89 only Network South East and Regional Railways received the grant. Regional Railways also received grant from the seven PTEs and small sums from other local authorities.

In addition to PSO and other grants such as the Level Crossing Grant, BR was able to borrow from the National Loans Fund to cover investment and losses on its unsubsidised businesses. The combined total of grant and loans in any year is subject to the External Finance Limit which is set each November by the Chancellor of the Exchequer in his Budget Statement. The actual total on a historic basis is known as the External Finance Requirement. The Department of Transport in Annexes A and B1 to its evidence to the Committee summarised Government support as follows:

⁴⁷ Transport Committee 4th Report, *Railway Finances*, 5 July 1995 - HC 206 I,II of 1994/95

Government support to the Railways
External Finance¹
1985-86— 1997-98

	<i>BR/RT EFR</i>		<i>UR/EP S EFR</i>		<i>Grant²</i>	<i>Industry EFR</i>	
	<i>£ million cash</i>	<i>£ million 94-95 prices</i>	<i>£ million cash</i>	<i>£ million 94-95 prices</i>	<i>£ million cash</i>	<i>£ million cash</i>	<i>£ million 94-95 prices</i>
85-86	910	1,414				910	1,414
86-87	777	1,172				777	1,172
87-88 ³	545	781				545	781
88-89	376	505				376	505
89-90	646	811	65	82		711	892
90-91	917	1,065	160	186		1,077	1,251
91-92	1,135	1,241	329	360		1,464	1,600
92-93	1,606	1,688	458	481		2,064	2,170
93-94	1,033	1,054	428	437		1,461	1,490
94-95 ⁴	-645	-645	217	217	1,924	1,496	1,496
95-96 ⁵	-945		120		1,800	975	
96-97 ⁵	to be decided				to be decided	810	
97-98 ⁵	to be decided				to be decided	810	

Notes:

1. The Government gives BR compensation to support socially necessary services which are not self-financing, and allows BR to borrow money at favourable rates of interest from the National Loans Fund, and from other sources, (eg. the European Investment Bank) if these provide value for money. This combination of grant and borrowing is known as the External Financing Limit (EFL), and is a measure of Government support for the railways.

2. Estimated grant support to passenger services from 1994-95 includes Franchising Director Grant and Metropolitan Railway Grant for PM services.

3. Outturns (External Finance Requirements: EFRS) from 1987-88 have been restated to reflect a technical decision taken in PES 92 to exclude movements in payroll creditors from BR's EFL. In some years the restated outturn is greater than that reported in BR's Annual Report and Accounts. This does not represent an overspend in those years.

4. External Finance Limit. This figure was increased in-year by £259 million to £1,496 million and may increase by a further £64 million to £1,560 million.

5. Privatisation effects not shown. Future EFLs are in cash prices and include an estimated £70 million of grant paid by Scottish Office via PTEs to BR.

**Government support to the Railways
Public Service Obligation Grant¹
1985-86— 1994-95**

	£ million cash	£ million 94-95 prices
1985-86	820	1,274
1986-87	714	1,077
1987-88	794	1,137
1988-89	473	635
1989-90	501	629
1990-91	602	699
1991-92	892	97 ⁵
1992-93	1,155	1,214
1993-94	930	949
1994-95 ²		1,700
1,700		

Notes:

1. Until 1 April 1994 BR received Public Service Obligation Grant to support certain passenger services. PSO grant is allowed under EC rules and subsidised loss making but socially desirable services on Regional Railways and Network South East (and Intercity up to 1987-88). It covered both capital spending (investment) and current spending (running costs).

2. From 1994-95, grant support to passenger services paid by the Franchising Director. The figure for 1994-95 is an estimate. Figures are not available for future years.

Source: Evidence p.4 Annex A and B1

The *Railways Act 1993* changed all this: the railways can no longer borrow from the Government as well as receive grants. Since 1 April 1994, Government support for passenger services has taken the form of grants paid by the Franchising Director and the Metropolitan Railway Grant paid to Passenger Transport Authorities. These grants count as public expenditure within the total finance available to the railways. Level Crossing Grant continues, but is now paid to Railtrack. Other grants and Government support continue as before. Government support for rail services provided by BR under agreements between Passenger Transport Executives continues to be paid under Section 20 of the *Transport Act 1968*.

Since 1 April 1994, trading between the various parts of the restructured railway has allowed them to earn proper commercial returns like any other business. As a result, BR and Railtrack no longer have external finance requirements, but cash surpluses, termed external finance contributions (EFCs). These EFCs do the same job as the former EFLs in controlling the overall finances of the railway industry. According to the Department of Transport this new structure helps to provide transparency and to show for the first time the real costs of services and other activities.

While the component units are still within public ownership, the result is a "circular cash flow" as described in the Transport Committee's report. Railtrack, a government owned company charges BR's train operating units, passenger and freight, for the use of the track. Passenger carriages and locomotives are transferred to the three rolling stock companies which leases them back to the TOUs at a total cost of £800m a year. Railtrack assumes responsibility for all infrastructure spending and EPS is responsible for investment in international trains. The management and workforce responsible for maintaining the infrastructure is formed into BRIS units which are paid as contractors by Railtrack. Railtrack and the various units still within BR now operate as though they are commercial companies, are responsible for funding their own investment from the payments they receive and must produce a profit which is paid back to the Government as the sole shareholder. The effect is to create a circular flow of money from the Government through the OPRAF and the PTEs to the TOUs and then to Railtrack and the ROSCOs with a proportion representing the profit (or the dividends that future investors might expect) passing back to the Government. The principal flows of money circulating in 1994-95 are illustrated in the diagram on the following page, taken from the Transport Committee's report.



Railway industry debt (to the National Loans Fund) outstanding at 31 March 1994 was divided between BR and Railtrack. Around £1.7 billion of this debt was allocated to Railtrack, leaving some £800 million with BR. In the new structure, the EFCs of BR and Railtrack are being used primarily to repay the debt. The treatment of the debt remaining with Railtrack at the time of flotation will be considered when decisions are made about the financial structure of the privatised company. Details of the debt were given in Annex C of the Department of Transport's evidence to the Select Committee:

ANNEX C

National Loans Fund loans at 1 January 1995

	<i>Date of Loans</i>	<i>Original Principal £ million</i>	<i>Principal outstanding at 1 January 1995 £ million</i>
British Railways Board	1974-75	10	10
	1991-92	650	579.2
	1992-93	175	164.6
		835	753.8
Railtrack	1975-76	80.2	80.2
	1978-79	10.5	4.9
	1979-80	10.4	2.4
	1980-81	44.7	8.5
	1981-82	37.2	5.8
	1991-92	200	176.7
	1992-93	775	737.1
	1993-94	525	515
	1,683.0	1,530.6	

Notes:

1. There were no NLF loans between 1981-82 and 1991-92. The Government allowed BR to start borrowing again in 1991 after the InterCity sector had become profitable, when returns from capital investment were likely to repay the cost of servicing new loans.

2. Outstanding NLF loans were split, by transfer scheme, between BR and Railtrack on 1 April 1994.

3. Temporary borrowing is not included.

Total expenditure on the railway industry from 1989 to 1998 is given in the Department of Transport's *Annual Report 1995*, as reproduced on the next page⁴⁸.

⁴⁸ Department of Transport *Annual Report 1995* p. 21



V Further Reading

Debates in the House of Commons since April 1992:

1. Debate on privatisation, HC Deb 11.5.92 cc 374-466
2. Debate on the white paper, HC Deb 29.10.92 cc 1162-1238
3. Debate on privatisation of the railways, HC Deb 12.1.93 cc 771-869
4. Debate on Second Reading of the Railways Bill, HC Deb 2.2.93 cc 154-279
5. Debate on through ticketing, HC Deb 18.1.95 cc 715-790
6. Debate on passenger services under rail privatisation, HC Deb 7.2.95 cc 201-253
7. Debate on the Metropolitan Railway Grant, HC Deb 18.7.95 cc 1493-1512

Official papers and reports;

1. *New Opportunities for Railways* Cm 2102 - July 1992
2. Department of Transport *The Franchising of Passenger Rail Services - a consultation document* October 1992
3. Department of Transport *Gaining Access to the Railway Network* February 1993
4. Transport Select Committee *The Future of the Railways in the Light of the Government's White Paper Proposals*, April 1993 - HC 246 1992/93
5. Department of Transport *Britain's Railways: A New Era* March 1994
6. Railtrack *Track Access Charges* April 1994
7. Office of the Rail Regulator *Railtrack's Track Access Charges for Franchised Passenger Services: Developing the Structure of Charges* November 1994
8. Office of the Rail Regulator *Competition for Railway Passenger Services* December 1994
9. Office of the Rail Regulator *Criteria and Procedures for the Approval of Freight Track Access Agreements* December 1994
10. Office of the Rail Regulator *Railtrack's Access Charges for Franchised Passenger Services: The Future Level of Charges* January 1995
11. Office of the Rail Regulator *Framework for the Approval of Railtrack's Access charges for Freight Services* February 1995

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12. Office of the Rail Regulator *Criteria for the Approval of Passenger Track Access Agreements* 2nd edition March 1995
13. Office of the Rail Regulator *Ticket Retailing* April 1995
14. Transport Committee *Railway Finances 5.7.95* - HC 206-I,II 1994/95
15. OPRAF *Passenger Rail Industry Overview* May 1995
16. Department of Transport *Annual Report 1995* p. 21
17. British Railways Board *Annual Report 1994/95*
18. OPRAF *Annual Report 1993/94*
19. Office of the Rail Regulator *Annual report 1994/95*
20. HM Railway Inspectorate *Railway Safety - the Annual Report 1993/94*
21. Central Rail Users' Consultative Committee *Annual report 1994/95*

Pamphlet and periodical articles since 1994:

1. *Economic Affairs* Feb 1994, "Rail privatisation: a platform for success"
2. Ed. Prof. Beesley *Regulation Utilities: The Way Forward*, IEA 1994 Ch 7 "The regulation of Britain's privatised railways"
3. Christopher Foster *The Economics of Rail Privatisation* Centre for the Study of Regulated Industries April 1994
4. *Modern Railways* April 1994, "Train and track costs will double BR subsidy"
5. *Rail Privatisation News* 1995
6. *Accountancy Age* 8.6.95 "Signals stay at Danger"

Appendix

Some Names and Addresses

A. General

British Rail
Euston House
24 Eversholt Street
PO Box 100
London NW1 1DZ
Tel: 0171-928 5151
Chairman: John Welsby CBE

The Office of Passenger Rail Franchising
26 Old Queen Street
London SW1H 9HP
Tel: 0171-799 8800
Director of Franchising: Roger Salman

Railtrack
40 Bernard Street
London WC1N 1BY
Tel: 0171-344 7100
Chairman: Robert Horton

Offices of the Rail Regulator
1 Waterhouse Square
Holborn Bars
138-142 Holborn
London EC1N 2SU
Tel: 0171-282 2000
Rail Regulator: John Swift QC

Critical Rail Users' Consultative Committee
First Floor
Golden Cross House
Duncanney Street
London WC2N 4JF
Tel: 0171-839 7338
0171-930 1304
Chairman: Major-General Lennox Napier

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HM Railway Inspectorate
Rose Court
2 Southwark Bridge
London SE1 9HS
Tel: 0171-717 6000
HM Chief of Inspecting Officer of Railways: S S J Robertson

B. The Train Operating Companies/ Units

Anglia Railways (UK) Ltd
15-25 Artillery Lane
London E1 7HA
Tel: 0171-465 9000
Director: Andy Cooper

Cardiff Railway Co Ltd
10th Floor, Brunel House
2 Fitzalan Road
Cardiff CF2 1SA
Tel: 01222 499811
Director: John Buxton

Central Trains Ltd
PO Box 4323
Stanier House
10 Holliday Street
Birmingham B1 1TH
Tel: 0121-643 4444
Director: Mark Causebrook

Chiltern Railways Co Ltd
Western House
14 Rickfords Hill
Aylesbury
Bucks HP20 2RX
Tel: 01296 332100
Director: Adrian Shooter

Cross Country Trains Ltd
Meridian
85 Smallbrook Queensway
Birmingham B5 4HX
Tel: 0121-654 7400
Director: Chris Tibbits

Intercity East Coast Ltd
Main Headquarters
Station Rise
York YO1 1HT
Tel: 01904 653022
Managing Director: Brian Burdsall

European Passenger Services
EPS House
Waterloo Station
London SE1 8SE
Tel: 0171-928 5151
Managing Director: Richard Edgley

Gatwick Express Railway Co Ltd
52 Grosvenor Gardens
London SW1W 0AU
Tel: 0171-973 5000
Managing Director: Robert Mason

Great Eastern Railway Ltd
Hamilton House
3 Appold Street
London EC2A 2AA
Tel: 0171-928 5151
Director: Bob Breakwell

Great Western Trains Co Ltd
Milford House
Milford Street
Swindon SN1 1DW
Tel: 01793 499400
Managing Director: Brian Scott

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Island Line Ltd
Sandown Railway Station
Sandown
Isle of Wight PO36 9BW
Tel: 01983 408585
Director: Dominic Booth

London, Tilbury, Southend Rail Ltd
Central House
Clifftown Road
Southend-on-Sea SS1 1AB
Tel: 01702 357889
Managing Director: Chris Kinchin-Smith

MerseyRail Electrics Ltd
Rail House
Lord Nelson Street
Liverpool L1 1JF
Tel: 0151-702 3031
Director: Richard Parkins

Midland Main Line Ltd
Midland House
Nelson Street
Derby DE1 2SA
Tel: 01332 262045
Managing Director: Richard Brown

Network SouthCentral Ltd
Stephenson House
2 Cherry Orchard House
Croydon CR9 6JB
Tel: 0171-928 5151
Managing Director: Graham Eccles

Regional Railways North East Ltd
Main Headquarters
Station Rise
York YO1 1HT
Tel: 01904 653022
Director: Bob Urie

North London Railways Ltd
Melton House
65-67 Clarendon Road
Watford WD1 1DP
Tel: 01923 207797
Director: David Watters

North West Regional Railways Ltd
Rail House
Store Street
Manchester M60 1DQ
Tel: 0161-228 2141
Director: Robert Goundry

ScotRail Railways Ltd
Caledonian Chambers
87 Union Street
Glasgow G1 3TA
Tel: 0141 332 9811
Director: John Ellis

The South Eastern Train Co Ltd
Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ
Tel: 0171-620 5555
Director: Richard Fearn

South Wales and West Railway Ltd
Western House
1 Holbrook Way
Swindon SN1 1BY
Tel: 01793 526100
Acting Director: John Mummery

South West Trains Ltd
Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ
Tel: 0171-620 5060
Managing Director: Peter Field

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Thameslink Rail Ltd
Friars Bridge Court
41-45 Blackfriars Road
London SE1 8NZ
Tel: 0171-928 5151
Managing Director: Cliff Perry

Thames Trains Ltd
Venture House
37-43 Blagrove Street
Reading RG1 1RY
Tel: 01734 579727
Director: Roger McDonald

West Anglia Great Northern Railways Ltd
Hertford House
1 Cranwood Street
London EC1V 9GT
Tel: 0171-928 5151
Director: Ken Bird

West Coast
Stanier House
10 Holliday Street
Birmingham B1 1TG
Tel: 0121-643 4444
Director: Ivor Warburton

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