

RAIL: A BEGINNERS GUIDE

PASSENGER SERVICES

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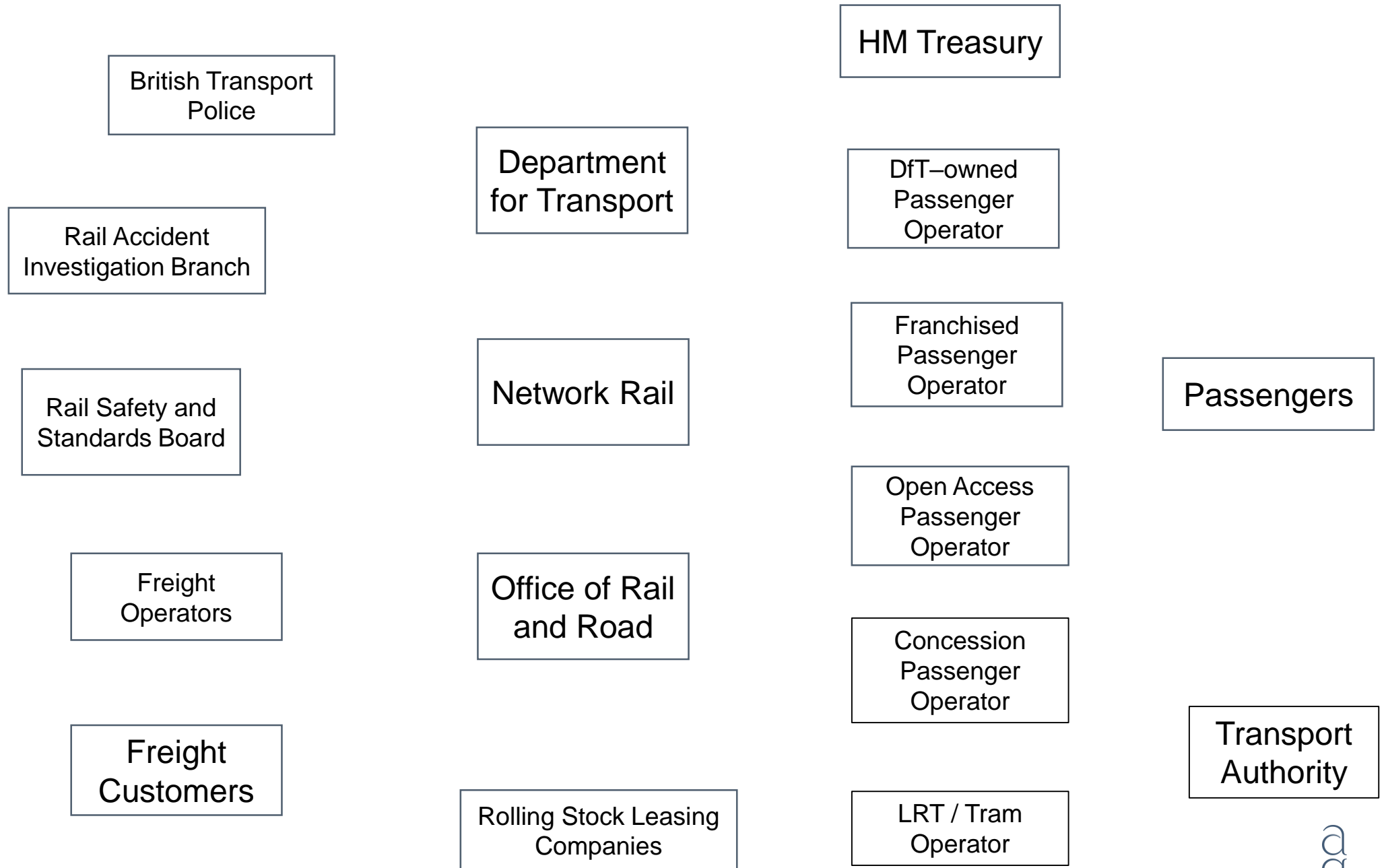


PRIVATISING THE RAILWAYS – A LITTLE HISTORY

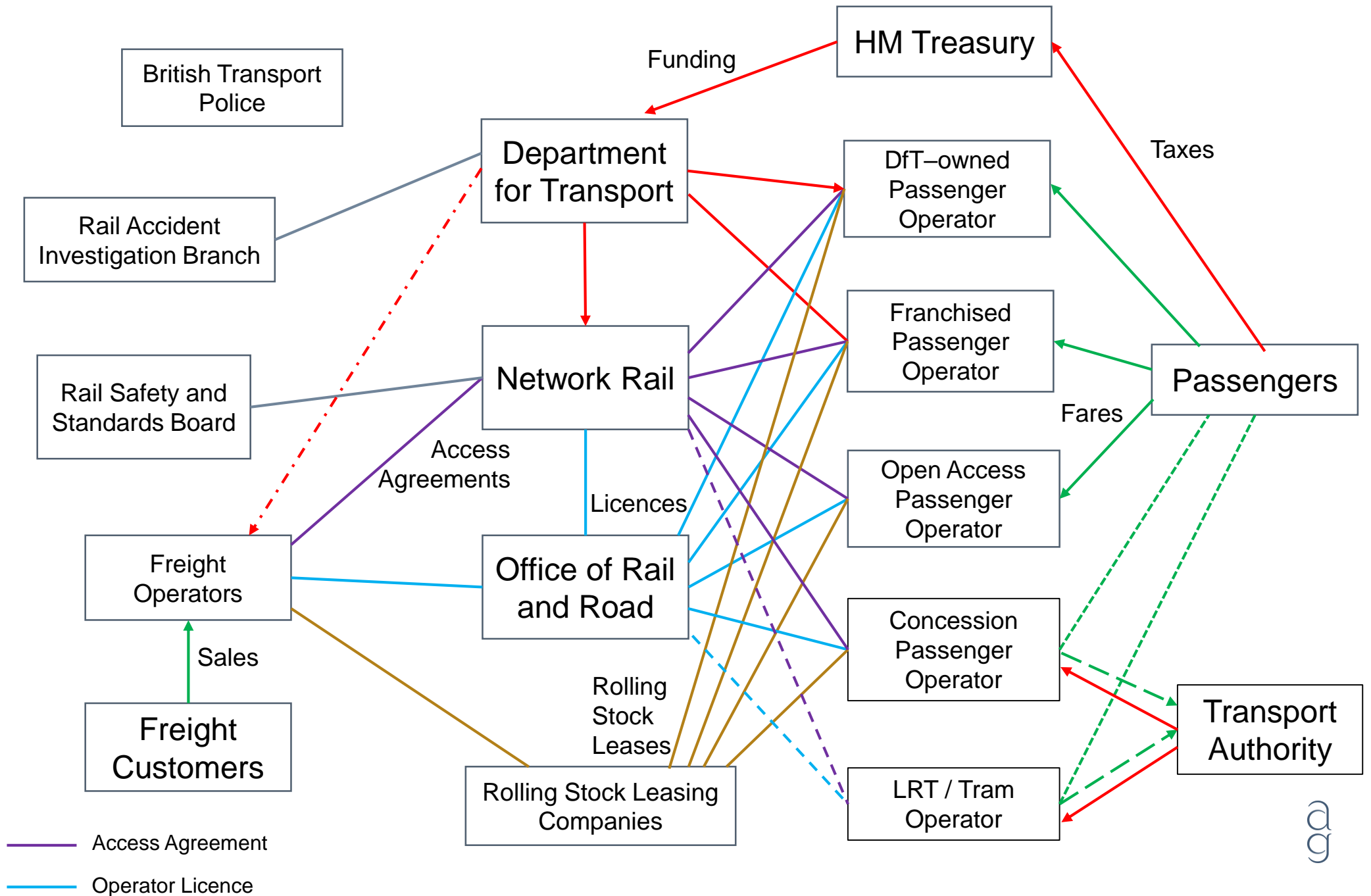
- Last privatisation of the 1990s Conservative government
- Private sector investment in a declining railway with a reward of financial growth
- Split one body into around 130 organisations
- Focus on passenger operations and ensuring a minimum level of passenger services retained
- Central oversight over passenger services and limited oversight for freight operations
- Initial legislation: Railways Act 1993
- First private sector operations in 1996



MAIN INDUSTRY STRUCTURE



MAIN INDUSTRY STRUCTURE



ROLES OF THE INDUSTRY PARTIES

- Department for Transport

- Main funder of the rail sector
- Sets transport policy and strategic objectives for the rail industry
- Franchises majority of passenger services
- Ensures passengers services are provided as Operator of Last Resort
- Becoming more involved in supporting the freight sector

- Network Rail

- National infrastructure manager – maintains the national network
- System operator for national network
- Holds a network licence
- Managers the national timetable
- Manages major stations



ROLES OF THE INDUSTRY PARTIES

- Office of Rail and Road

- Independent economic and safety body
- Ensures all operators of railway assets have appropriate licences
- Monitors compliance with licence obligations
- Sets a number of targets for national infrastructure manager and ensures monopoly not abused
- Enforcement body for rail-specific health and safety breaches
- Appeals body for various activities under Railways Act 1993

- British Transport Police

- National police service ensuring policing on rail services
- Operates across regional police boundaries



ROLES OF THE INDUSTRY PARTIES

- Rail Safety and Standard Board

- Established in 2003 following Cullen Report on Ladbroke Grove accident
- Independent safety standards body
- Sets the standards that the UK's railways need to comply with
- Undertakes research into safe operation of the railway
- All train operators are required to be members

- Rail Accident and Investigation Branch

- Independent accident investigation body
- Establishes why accidents happened and recommends actions to reduce such accidents happening again
- Does not prosecute health and safety failings



PASSENGER OPERATIONS

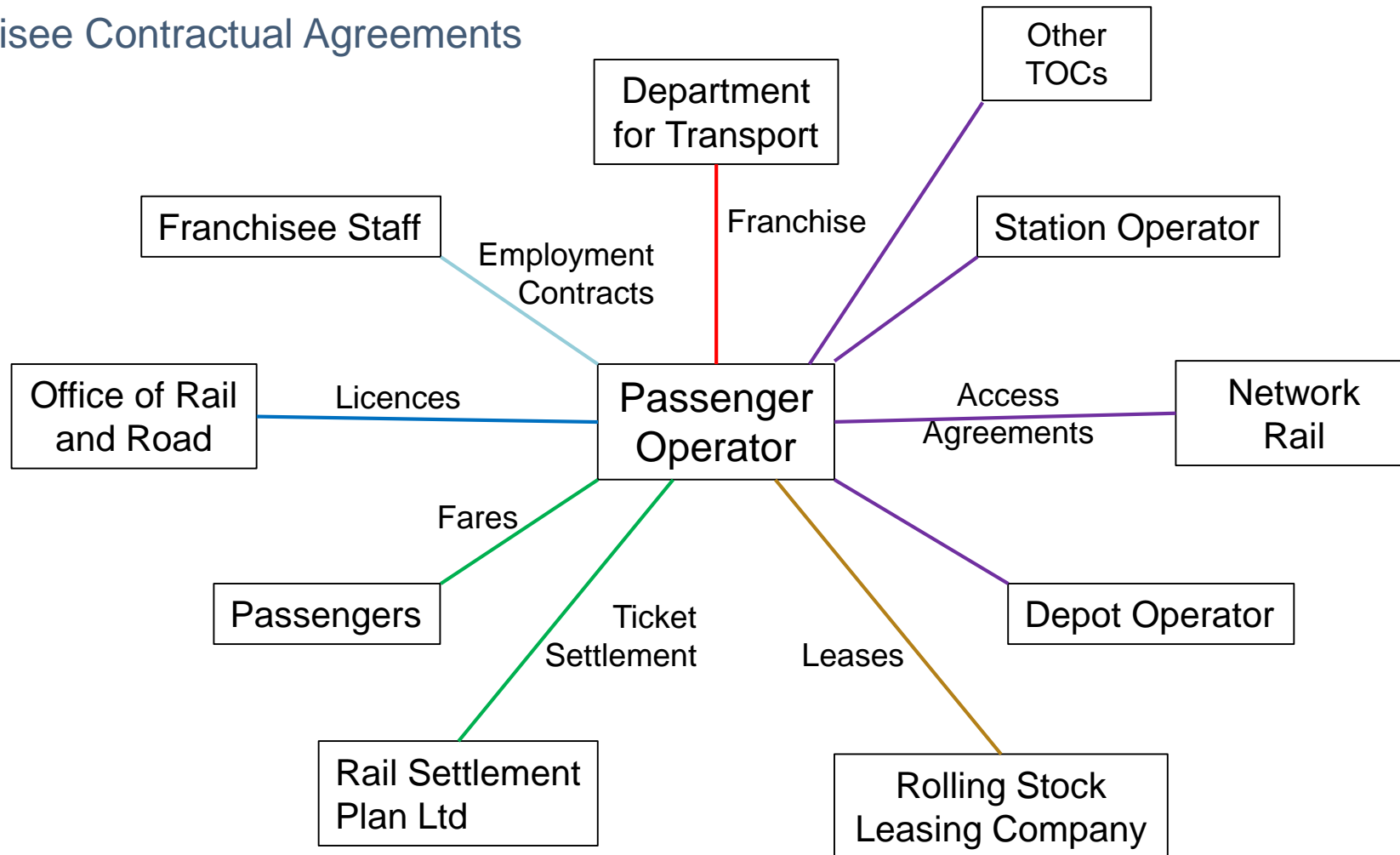
● Franchised Operators

- Bid for exclusive rights to operate a minimum number of services – time limited
- Franchise may need a premium payment or receive a subsidy – set in bid
- Access charges for network includes fixed and variable costs
- Franchisee:
 - needs operator, station and depot licences
 - manages safety obligations
 - has access agreements with Network Rail and other passenger operators
 - collects and takes risk on fares (but support for Covid-19 effects)
 - leases rolling stock from ROSCOs
 - manages specified stations
 - may manage depots (or sub-contract to train maintainers)
 - input into timetabling arrangements
 - performance obligations



PASSENGER OPERATIONS

Franchisee Contractual Agreements



PASSENGER OPERATIONS

- Open Access Operator

- No agreement with the DfT
- Needs to pass ORR's "not overly abstractive" test to get access agreement
- Access charges for network limited to marginal costs
- Have similar operational obligations as franchises operators
- No station management obligations
- Full risk on fares and usage – no safety net

- Operator of Last Resort

- DfT obligation under Railways Act 1993 to provide passenger services
- Takes on general obligations of a failing franchise
- Expected to be short-term measure before re-franchising



PASSENGER OPERATIONS

● Operating / Management Concession

- May be with DfT or regional transport body
- Limited or no risk on fares
- Management fee in return for meeting relevant performance requirements
- Have similar operational obligations as franchises operators
- Likely future model for passenger operations – Williams Review



● Light Rail & Trams

- Operation concessions between local transport bodies and private sector
- May be “construct and operate” or simply “operation” concessions
- Operating fee with local authority taking fares risk
- Mostly closed systems – operating licence only if running on national rail network
- Different safety and standards regimes

RAIL FARES

- Basic Structure is rather old

- All passenger operators members of the ticketing and settlement agreement
- Central clearing house to pay relevant part of fare to train operators
- Division of fares income based on number of seats available
- Specific “operator only” fares fully retained by relevant operator
- Use of split fares can be “gamed”

- Wholesale changes required

- Politically difficult as winners and losers
- Possible changes flow from Williams Review



COVID-19 SUPPORT

- Significant funding shortfall for all operators
 - Franchise operators and management concessions receiving DfT support
 - Management of timetable to reflect reduced usage in lockdowns
 - No financial support for open access operators
- Restrictions on passengers – “1 metre plus” rule
 - RSSB undertaking research to support safe reduction in distancing
 - Face coverings national law so BTP obligation to enforce
- Additional costs for working within Covid-19 rules
 - New cleaning requirements
 - Managing staff and coverage for absences
- Post Covid passenger demand
 - Currently at 10-15% of normal usage
 - Expected return to 80% by start of 2022



INTO THE FUTURE

- Changes to Franchises
 - Emergency Measures Agreements / Emergency Recovery Measures Agreement
 - National Rail Conditions
- Williams Review
 - New “Guiding Mind” for the railways
 - DfT to reduce day-to-day management
 - Potential to increase competition on more routes
- Reversing Beeching
 - Projects to re-open closed stations and railway lines
 - Need to provide sufficient value for money



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