

Aims, models and powers of the rail regulator

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OFFICE OF RAIL REGULATION

UK Railways

Liberalised market

- Passenger train operation mostly franchised; some 'open access'
- Network Rail
- Supply market, freight
- ORR as independent safety and economic regulator
- Role of government goes wider than "strategy" and "procurement". Full devolution to Scotland, limited devolution elsewhere.

UK experience

- Good points – growth, performance, safety, investment
- Competition - supply market, freight, for franchises
- Less successful – costs, risk transfer from government, alignment.

Aims of regulation

- Statutory public interest objectives and roles
 - UK and EU legislation
 - monopoly power, market failure
 - assurance to government, train operators, users
- ORR strategy
 - efficiency, customers, health and safety - outcomes
 - incentives; competition; decentralisation; intervene when needed
 - transparent, consistent approach
 - longer term, independent view

Models of regulation

- Contractual model
 - London Underground PPP. Regulatory role limited by the contract.
- Hybrid model
 - High Speed 1. Core “regulatory” functions are now done by the independent regulator (access, setting charges, monitoring infrastructure delivery, health and safety).
- Independent regulation
 - UK national railway
 - Contracts between train operators and Network Rail approved/directed by ORR; licences held by Network Rail and train operators
 - “Responsive stability”. Contracts can be inflexible; but private sector companies want some protection from unexpected changes e.g. in government policy.

Independence of ORR

- Governance/Board
- Funding
- Statutory objectives/functions
- Guidance, not instructions, from government
- Accountability to Parliament/the courts
- A well established model in the UK

Powers of ORR

- “Access” powers complemented by extensive powers over the infrastructure manager to set outputs and funding and enforce delivery; also competition powers
- Role recognises the importance of subsidy – governments set out what they want for the railways and how much money they have. ORR ensures these are compatible and then sets Network Rail charges/outputs
- Integration with health and safety regulation
- ? Wider role
 - Incentives and accountability of train operators as well as Network Rail
 - Consumer protection roles
- Challenge of the alignment and competition agendas