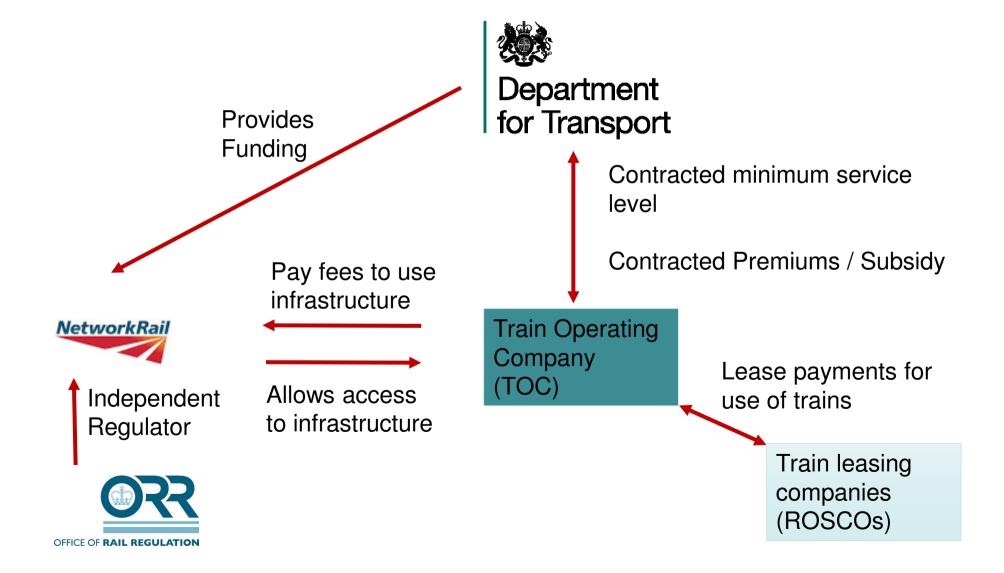


Overview of the UK Rail Market

Katie-Lee English
Finance policy for rail franchising



Industry Structure



Forms of competition

- "Bidding" for franchise contracts (winner based on a balance of price and quality)
- 2. On-rail competition: Private companies apply to the regulator (ORR) for rights to run trains on Network Rail's infrastructure



Issues with UK competition model

Overbidding

Forecasting risk

Renegotiation



Competitions at the bid stage: Contractual Mechanisms

General rule:

- Weaker incentives
- Lower risk

Management contract e.g. West Coast

Increasing risk with the TOC

"cap & collar"

(a special case of revenue share & support)

e.g. Southern

Cost risk with the TOC, revenue risk with DfT e.g. Thameslink

Revenue share & support e.g. Greater Anglia

General rule:

- Better incentives
- Higher risk

All risk with the TOC e.g. Essex Thameside

GDP based mechanism e.g. Future East Coast



Department Rail Executive On-Rail Competition





First Hull Trains

Grand Central

UK "Open Access" operators provide services which are not provided by Government, without direct subsidy from government.

Access applications are assessed by the Independent regulator (ORR).



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(Use Subject: "Transport Economics Conference")