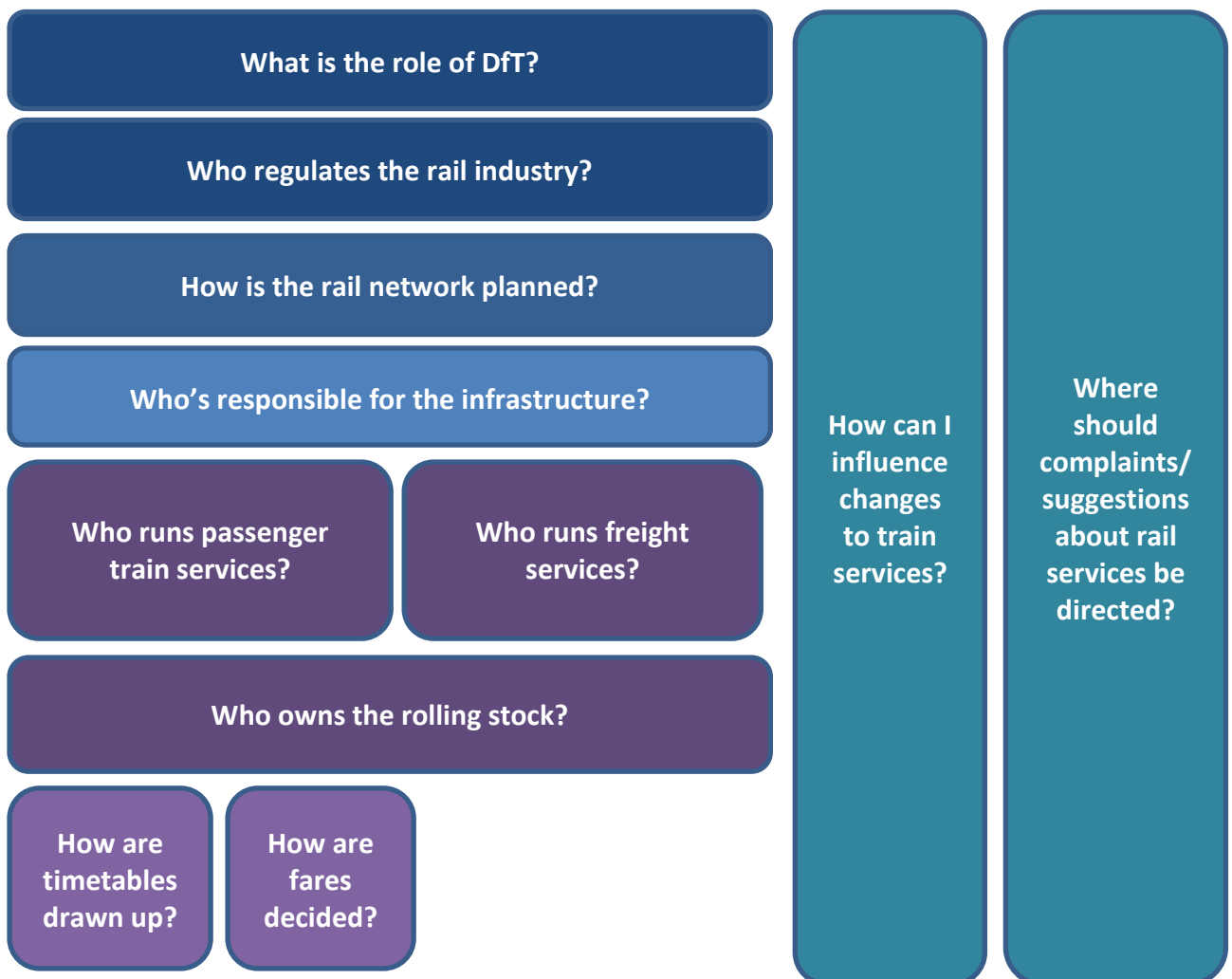


The rail industry – an introduction

About this guide

This guide is intended to provide a basic introduction to the way the rail industry works, highlighting its key features and mechanisms. Rail is a complex industry meaning it is not possible to cover every aspect comprehensively within the scope of this document. Below is a colour-coded outline of the structure of this guide.



What is the role of DfT?

The role of the **Department for Transport (DfT)** in the running of the railways is to provide strategic direction and to procure rail services and projects that only it can specify. Responsibility for day-to-day delivery of railway services rests with the industry.

Visit <http://www.dft.gov.uk/rail/> for more information.

Who regulates the rail industry?

The **Office of Rail Regulation (ORR)** is the independent economic and safety regulator for the railways. On the economic side it:

- Regulates Network Rail's stewardship of the national rail network.
- Licences operators of railway assets.
- Approves track, station, light maintenance depot access.
- Investigates potential breaches of the Competition Act 1998 (alongside the Office of Fair Trading).

On the safety side it seeks to secure the safe operation of the railway system and protect staff and the public from health and safety risks arising from the railways.

Visit <http://www.rail-reg.gov.uk/> for more information.

How is the rail network planned?

The Periodic Review Process

Network Rail's funding and the outputs it must deliver are agreed in five year blocks called control periods – we are currently in control period four (CP4, 2009-2014). For more on the role of Network Rail, see '[Who's responsible for the infrastructure?](#)'

The process by which this funding is determined is called the periodic review (PR). The next PR is due to start in May 2011 and will continue until Autumn 2013. This will determine funding and outputs for the next control period (CP5, 2014-2019). The broad process for the PR is as follows:

- ORR publishes a **consultation** on objectives and key issues (due May 2011).
- Network Rail and industry partners then publish an **Initial Industry Plan (IIP)** setting out what they believe is necessary and deliverable in CP5 (due September 2011). This is informed by the Route Utilisation Strategies (see box).
- Taking into account advice from ORR, the Secretary of State and the Scottish Transport Secretary publish separate **Higher Level Output Specifications (HLOSs)** which set out what they want the rail network to deliver in CP5. They also publish their **Statements of Funds Available (SoFAs)** which set out how much money is available to deliver these outputs (due July 2012).
- Next, Network Rail publishes its **strategic business plan** setting out how it intends to deliver the outputs in the HLOSs and the costs of doing so (due January 2013).
- The ORR then publishes first a draft (due June 2013), then a **final determination** (due October 2013), setting out the outputs and funding to be made available to Network Rail, who then publish their **CP5 Delivery Plan** (due March 2014).

Route Utilisation Strategies

Network Rail develops **Route Utilisation Strategies (RUSs)** to cover the entire rail network.

Each RUS:

- Defines the character and performance of the existing network
- Identifies committed schemes
- Assesses future passenger and freight demand
- Identifies gaps in capacity or level of service
- Considers options to address the gaps
- Develops a strategy based on the best value options.

The RUSs help inform decisions made by funders, franchise bidders and suppliers on issues such as franchise specifications and business plans.

There is a RUS for each geographical area of the country as well as for the network as a whole and for freight. A second generation of RUSs are now being developed. For the full list of RUSs visit:

<http://www.networkrail.co.uk/aspx/4449.aspx>.

Who's responsible for the infrastructure?

Network Rail owns, operates, maintains and develops tracks, signals, tunnels, level crossings, viaducts and 18 key stations (Leeds, Liverpool Lime Street, Manchester Piccadilly, Birmingham New Street, Gatwick, Edinburgh Waverley, Glasgow Central and 11 of the busiest stations in London). The majority of other stations are managed by **TOCs** but are owned by Network Rail. To identify who owns a particular station visit:

http://www.nationalrail.co.uk/stations_destinations/

Network Rail is a not-for-dividend company separate from Train Operating Companies (TOCs – see '**Who runs passenger train services**') and government.

Visit <http://www.networkrail.co.uk/> for more information.

Who runs passenger train services?

Passenger train services are managed and operated by **Train Operating Companies (TOCs)**, usually under regional franchises awarded by the DfT. The franchises specify which passenger services are to be run, the quality and other conditions such as the cleanliness of trains, station facilities and reliability.

There are exceptions to this. The franchise for Merseyrail services is awarded by Merseytravel, the franchise for London Overground is awarded by Transport for London and franchises in Scotland are awarded by the Scottish Government.

In addition, TOCs are able to bid for 'slots' – specific parts of the National Rail timetable – to operate their own services outside of a franchise arrangement with central government. These are known as '**open access operators**' and there are currently two of these operating as part of National Rail – First Hull Trains and Grand Central.

A list of all TOCs, including contact details, can be found here:

http://www.nationalrail.co.uk/tocs_maps/tocs/

The **Association of Train Operating Companies (ATOC)** is the coordinating body of the TOCs. It acts as a central clearing house for the TOCs, allowing passengers to buy tickets to travel on any part of the rail network, from any station. They own the **National Rail** brand and operate **National Rail Enquiries** (<http://www.nationalrail.co.uk/>). They also organise common promotional and discounted railcards.

Visit <http://www.atoc.org/> for more information.

Who runs freight services?

Rail freight is fully in the private sector. According to the Rail Freight Group, there are currently eight rail **Freight Operating Companies (FOCs)**:

- English, Welsh and Scottish Railway
- Freightliner
- GB Railfreight
- Direct Rail Services
- Fastline
- Victra-Westlink Rail
- Amec-Spie Rail
- Advenza Freight

All are open access operators which means that each can bid to run services on any part of the network.

Visit <http://www.rfg.org.uk/> for more information.

Who owns the rolling stock?

TOCs and Freight Operating Companies generally lease or hire their rolling stock from **Rolling Stock Companies (ROSCOs)**. ROSCOs own the trains that run on the rails. It is their job to work with the train operating and freight companies to determine the sorts of engines, carriage and trucks required to deliver the desired customer services.

ROSCOs also have a responsibility to help develop services by phasing out old and aged rolling stock to make way for modern, more convenient and safer trains.

Leasing companies currently in operation are Angel Trains Ltd (<http://www.angeltrains.co.uk/>), Eversholt Rail Group (<http://www.eversholttrail.co.uk/>) and Porterbrook Leasing Company Ltd (<http://www.porterbrook.co.uk/>).

How are timetables drawn up?

Individual TOCs draw up their own timetables and must plan around Network Rail's proposed schedule of engineering works. Timetables for all national rail services are compiled in the National Rail Timetable which is published by Network Rail in May and December each year.

How are fares decided?

Every origin-destination pair (known as a 'flow') is allocated to a particular train operator who has the right and the obligation to set the fares. This operator is known as the 'Lead Operator' for that flow. Once the Lead Operator has set the fares, every other operator serving any part of that flow (known as the 'Secondary Operators') are legally obliged to accept those fares for travel on their trains. Operators can also offer discounted fares.

The Government regulates around 60 per cent of train fares and these are allowed on average to rise each January by the previous July's RPI inflation rate plus 1 per cent. In January 2012 this formula is set to change to RPI plus 3 per cent. The range of regulated fares is different for each franchise. In some franchises only peak returns are regulated, in others, some single fares and a wider range of returns are regulated

There is no price cap on unregulated fares (advance and anytime fares on long-distance routes).

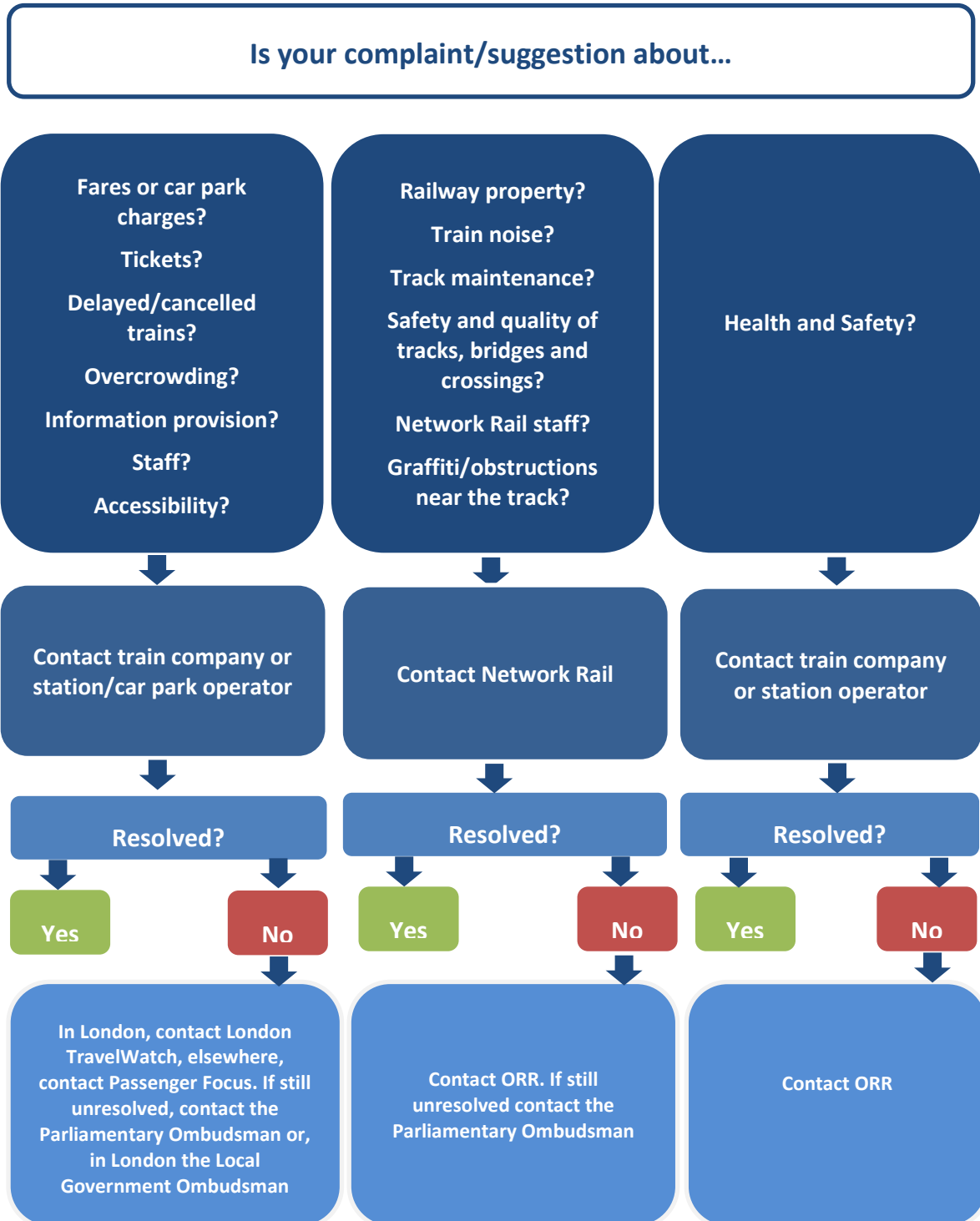
How can I influence changes to train services?

This can be difficult as changes to timetables and service levels are complex because of increasing capacity problems on the railways and finding any subsidy that is required to fund any changes.

There are, however, opportunities to influence the development of train services at various stages, for example during the periodic review process and as RUSs and franchise agreements are drawn up. Consultations on the RUS are open to all, whilst consultations on franchise agreements are open to invited stakeholders, including PTEs and local authorities along the franchise route.

There is also a process for adding/amending services during the lifetime of franchises whereby the promoter of a change (such as a local authority or Passenger Transport Executive), rather than DfT, provide the additional subsidy required to make the service viable.

Where should complaints/suggestions about rail services be directed?



Contact details

The contact details for the agencies mentioned in the above diagram are listed in the table below.

Train operating companies	http://www.nationalrail.co.uk/tocs_maps/tocs/
Station/car park operator	http://www.nationalrail.co.uk/stations_destinations/
Network Rail	http://www.networkrail.co.uk/asp/1346.aspx
London TravelWatch	http://www.londontravelwatch.org.uk/
Passenger Focus	http://www.passengerfocus.org.uk/
Parliamentary Ombudsman	http://www.ombudsman.org.uk/make-a-complaint
Local Government Ombudsman	http://www.lgo.org.uk/making-a-complaint/
ORR	http://www.rail-reg.gov.uk/server/show/nav.27

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