



OFFICE *of the*  
RAIL REGULATOR

**REGULATORY OBJECTIVES FOR  
PASSENGER TRAIN AND STATION  
OPERATORS**



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# ***Regulatory objectives for passenger train and station operators***

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## **Introduction**

1. Over the last three years the railway industry has undergone significant change - from a single nationalised industry to a number of privately owned companies bound together by licences, regulated contracts and other agreements which shape the way in which services are delivered. Now that all passenger train and station operations are under the control of private companies, it is timely to review how well the statutory and contractual framework is working and what needs to be done to ensure that the restructured railway promotes the public interest.
2. As Rail Regulator, my duty is to regulate in the public interest: to set and enforce the rules but also help the railway play a growing part in meeting the country's transport needs, through providing attractive services which encourage more passengers to use rail as a first choice. To achieve that aim, I need to do two things: first, ensure that operators understand my strategic objectives and expectations; and second, act to secure improvements where operators themselves fail to meet those objectives. In January 1997 I issued my regulatory objectives for Railtrack<sup>1</sup>: this bulletin addresses objectives and expectations in relation to passenger train and station operators, including Railtrack in their role as operator of certain major stations.

## **Key Regulatory Principles**

3. Why should the railway need to be regulated when it has only a small share of the transport market? First, because the State subsidises most of the passenger railway, and second, because each of you is, to some extent, a monopoly supplier of services: of train services to passengers, and of station and light maintenance services to other train operators. You rely on each other for many of the services and facilities you need to operate your business successfully. For both these reasons you need to work to public interest objectives, regardless of the length of your franchise, and not just to your own commercial imperatives. Many of you have made specific commitments to improve facilities and services as part of your contract with the Franchising Director. However, the statutory framework clearly envisages, but does not define, a wider

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<sup>1</sup> *Regulatory Objectives for Railtrack*. January 1997

concept of the public interest. There are therefore some key principles which must govern the way in which passenger and station operators conduct their businesses to promote the public interest:

- (a) The new structure of the industry depends on security of funding from the public and private sectors. In return, taxpayers and the public expect the new owners and operators of the railway to provide better services and higher standards of performance to passengers. This does not mean just doing the minimum necessary to comply with the letter of your franchise agreement or licence: *you have a duty, as part of the regulatory contract, to make a positive contribution to improve services to passengers - both individually and collectively.*
- (b) Passengers want to be able to use the railway as a seamless national network. That means working together, with other passenger operators and Railtrack: to improve the quality and accessibility of the network; to improve information to passengers; to improve connections; to maintain through ticketing and routeing flexibility; to ensure redress is consistent, fair and efficient.
- (c) Within the framework of a national network and the competitive structure which has emerged from the franchising process, *I am looking to you to identify opportunities for competition and cooperation which achieve the objective of promoting the use of the network for the greatest benefit to passengers.*
- (d) *You should be aware of the part the railways play in meeting the country's transport needs, and ways of enhancing that role.* In particular, you should actively seek opportunities to cooperate and ensure that passengers have the information they need to use coordinated modes of transport with confidence. This means working together with Passenger Transport Executives (PTEs) and local authorities who have responsibilities for providing public transport in their regions, so that railways can play a full and constructive part in meeting national and regional transport needs.
- (e) Many of your existing and potential passengers have a disability or find it difficult to get around. They should expect and receive the highest standards of accessibility and customer care. *I expect you to be setting targets for significant improvements to accessibility in the shortest practicable timescale.*

- (f) You are all parties to contracts with Railtrack, and with other train and station operators, which are intended to promote the development of new and better services. *You should be proactive and treat those contracts as opportunities to improve quality of service.* Doing nothing, or blocking proposals from others for desirable development, will be seen as a failure on your part which could justify regulatory intervention to ensure improvements are made.
  - (g) You should be as open and transparent as possible - about your plans for improvements and about the level of performance you are delivering to your passengers - and should look for ways of informing passengers about what they can expect from you. In particular, I expect you to maintain and develop constructive and genuinely consultative relationships with the Central Rail Users Consultative Committee (CRUCC) at a national level and the Rail Users Consultative Committees (RUCCs) locally, so that passenger views and needs can be fully taken into account in everything you do.
4. I believe these principles are an integral part of the regulatory contract each of you has bought into. You have been granted certain rights and most of you receive considerable amounts of public subsidy. With those rights come obligations, in your contracts and licences, to make the railway work in the public interest and to the benefit of all passengers. You are responsible for delivering a better railway, while I am responsible for monitoring and enforcing compliance with the licence obligations, for approving access conditions which make delivery of an improved railway possible, and for ensuring that anti-competitive behaviour is controlled. How I discharge my responsibilities therefore depends heavily on your attitude towards the interests of passengers and the wider public interest.
5. Until recently, a considerable amount of my Office's time was devoted to facilitating the restructuring process. We granted licences, approved access contracts, established baselines of minimum acceptable standards and worked with you to establish the arrangements which preserved network benefits, such as through ticketing and a national telephone enquiry service. Now that the framework is in place, my focus will be on monitoring the outputs you are delivering to passengers, enforcing compliance with approved arrangements and keeping the effectiveness of those arrangements under review. *I will still wish to work closely with you, since I believe that there is great merit in moving forward with a shared purpose. But that does not mean sacrificing my independence for the sake of agreement, or any unwillingness to use my enforcement powers should that prove necessary.*

6. I expect operators to take a proactive approach to compliance with their obligations by building a compliance culture at all levels and in all activities within their companies. It is your responsibility to ensure that you understand your obligations and to give your staff the tools they need to comply with them. For my part, I intend to monitor outputs from the passenger's perspective rather than inputs. I will be seeking to establish performance comparators to stimulate improvements, and will also encourage responsible and robust self-monitoring with periodic audit checks. I do not intend to take formal enforcement action where mistakes or minor infringements are recognised and rapidly put right. *But where the public interest demands it, or where breaches are serious or persistent, I will not hesitate to use my formal powers should that prove necessary.*
7. But the new contracts and structures will have failed if all they deliver is strict compliance and stagnation. So I am also looking for a clear commitment to develop the railway into the future: an individual and collective commitment to strategies which deliver network-wide improvements for the benefit of passengers and the industry as a whole. *In monitoring compliance, and as part of my general function to keep the operation of the railway under review, I will be looking for clear evidence of a mature approach to creating a better railway.* If I cannot find that evidence I will have to consider whether there is a case for tougher regulation through licence modifications, or through my powers of change in relation to Track and Station Access Conditions.

### **Specific objectives and priorities**

8. In the light of the general objectives and approach outlined above, paragraphs 9-25 below set out more specific objectives and highlight the key priorities as I see them in the medium term.

#### *Relationships with Railtrack*

9. The working relationships you have with Railtrack will dictate how well you are able to deliver a better railway to passengers. Some parts of that relationship are working encouragingly well:
  - (a) Cooperation over the content and publication of the national timetable has ensured a more accurate publication in which passengers can have confidence.
  - (b) Cooperation on investment issues (including with PTEs and local authorities) will deliver improvements - not just in terms of the large projects which hit the

headlines, but also the smaller projects - at stations for example - which help make rail a more attractive option for passengers.

- (c) The performance regime has led to significant improvements overall in punctuality, which is a high priority for passengers.
- (d) The timetable planning process, often involving new access rights, is facilitating the introduction of new services and providing - to some extent - the connectional opportunities which allow passengers to take full advantage of the network nationwide.

10. There is, however, considerable scope for further improvement:

- (a) The work already begun to make timetables more stable and robust by having details - including engineering works - settled 12 weeks in advance, needs to be completed and implemented as soon as practicable.
- (b) Cooperation on smaller investment projects to improve track and stations needs to be strengthened, and procedures streamlined so that improvements are not delayed.
- (c) A major issue is that of active collaboration on systems issues - not only to deal with the significant systems problems caused by the millennium date change, but also to deliver consistent and reliable real-time information to passengers.

*I expect you to work together to develop robust projects to clear timescales - to use technology to improve your businesses and the service you provide to passengers.*

11. I intend to review the operation of the performance regime. I recognise the commercial importance of the regime to you, but my starting point will be passengers perceptions of whether performance has improved. I expect that one of the main issues will be connections - on which there has been a considerable amount of passenger dissatisfaction. I will wish to examine what more needs to be done to improve the reliability of connections to give passengers more confidence in planning and making journeys which involve a change of train.

*Passengers access to the rail network*

12. Improvements to the way in which train operators and Railtrack work together to deliver services will not be fully successful unless equal effort is put into making it as

easy as possible for passengers to buy a ticket in whatever way suits them best - whether at a station, on trains, through a telephone booking service, or at a travel agent. Buying a ticket at a station will continue to be most important for the majority of passengers. I expect you to continue to provide regular opening hours for ticket offices - in the same way as any other shop - and will look closely at any proposals to reduce ticket office opening hours to ensure that passengers are not disadvantaged.

*Ticket retailing services and systems*

13. Tickets not only need to be easy to buy, they need to be easy to sell accurately and impartially. My recent policy statement on accurate and impartial retailing<sup>2</sup> identified some major barriers which need to be overcome to achieve that aim, including staff training and the adequacy of ticket-issuing equipment. There is no doubt that significant investment is needed in both those areas, and you have all given me your personal commitment to improvement. Over the next few months, that commitment must be translated into action, with a project plan to implement new systems to an acceptable timescale.
14. This is a key area for development - particularly as the number of new products on offer increases. Without better systems, you will not be able to retail accurately and impartially. *If there is a clear project plan, I can have confidence in your commitment and ability to deliver your obligations through voluntary cooperation.* If you cannot give me that confidence I will have to consider ways of enforcing the obligations you have, or, if necessary, strengthening your licence obligations. I will be looking at this in detail once the results of my mystery shopper exercise are available later in the summer.

*Passenger information*

15. Reliable information is a key passenger requirement. Information is not a commodity to be rationed. Passengers have every right to demand, and must have, easy access to accurate and comprehensive information which tells them when they can travel, what connections they need to make, what fares are available, which routes they can use, what is happening when things go wrong and what train operators are doing to put it right. Well informed customers will have more confidence in the railway and could well make your retailing job easier and quicker.

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<sup>2</sup> *Accurate and impartial retailing: meeting the needs of passengers: a policy statement.* January 1997

16. Operators have shown what they can do when they make a concerted, collaborative effort. The National Rail Enquiry Service (NRES) has been established in less than a year, and is answering more calls faster than ever before. Working groups within the Association of Train Operating Companies (ATOC) have established standards for timetable information at stations and are looking at making interchange easier. A new joint ATOC/Railtrack Steering Group on Network Benefits has identified several areas for development, including real-time train running information. This is welcome progress, but there is much more to do.
17. I wish to see plans with achievable timescales, which link the work needed on retailing systems already mentioned with the information needs of passengers, on timetables, fares, routes, real-time train running and what operators will do when things go wrong. Those plans need to be in place by the end of the year. If satisfactory progress is not made quickly, I will consider licence modifications to impose more specific and enforceable obligations on information.

*Access for disabled passengers*

18. Now, more than ever before, there is a significant shift in attitude towards the rights of disabled people generally. This needs a shift in attitudes on the railway too. Improvements which benefit disabled people are also likely to benefit many other passengers, including those with children or heavy luggage and elderly travellers. Some improvements can be integrated into mainstream provision, e.g. a textphone facility for NRES, better and clearer announcements on trains and at stations, and clearly marked help and information points. But specific initiatives will be needed, partly to comply with the Disability Discrimination Act and partly as a matter of best practice in customer service.
19. I welcome ATOC's initiative to produce a code of practice which will, amongst other things, strengthen the role of the Disabled Passengers Reporting System - which I consider to be critical to the accessibility of the network. *I expect train operators to cooperate with Railtrack to identify improvements to accessibility at as many stations as possible, so that the funding allocated by Railtrack to accessibility improvements can be used to best effect.* Later this year, I will be undertaking a major review of my Code of Practice for Disabled Passengers<sup>3</sup> which will take into account both the way in which operators have implemented their own Disabled People's Protection Policies

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<sup>3</sup> *Meeting the needs of Disabled Passengers: a code of practice.* August 1994

and the implications of the Disability Discrimination Act for access to vehicles and stations.

*Development of the network*

20. As I have made clear, I believe you have a duty to contribute positively towards service improvements, nationally and regionally. I expect you to take a proactive approach to cooperation, particularly with PTEs and local authorities, to ensure those improvements come about in a way which meets wider transport needs.
21. I expect to see operators using their current access rights - or seeking modifications - to develop new services which benefit passengers. Although moderation of competition has generally removed the risk of new competitive services which threaten the viability of existing operations, it is not intended to remove all scope for on-rail competition or to allow operators to block unreasonably the development of innovative new services which bring additional benefits to passengers. In the longer term, I will be looking at the potential for on-rail competition to increase in ways which encourage innovation and bring benefits to operators, the taxpayer and passengers alike.
22. I also expect operators, in their roles as operators and users of stations, to be taking a proactive approach to station improvements. You have some clear commitments in your franchise agreements, with the prospect of significant improvements through Railtrack's station regeneration programme. You will need to work closely with Railtrack on improving your stations and liaise with local authorities, PTEs and RUCCs to ensure that their aspirations and plans are taken fully into account. It should go without saying that you should also take the opportunity to build in improved accessibility measures wherever possible. I have issued General Approvals which allow certain improvements to be made without reference to me. I expect you to use these Approvals, and the opportunity of the regeneration programme, to ensure that all your stations provide a more welcoming and secure environment for passengers.
23. Although I have an important regulatory function to consider all proposed closures, I do not expect to be approving any significant reductions in the scale and scope of the network. I will be publishing, later this year, guidance on the closure provisions in the Railways Act and procedures for considering proposed closures. In particular, this will cover the need for early consultation with passenger representatives and the

interaction between legal closures and station enhancement investment, to ensure that desirable developments which benefit passengers are not unnecessarily delayed.

*Keeping the railway under review*

24. I have an important function to keep the operation of the railway under review. I will wish to understand whether and to what extent the restructured railway is delivering improvements to passengers. I will put processes into place to give me the information I need to judge whether the pace and scale of improvements is satisfactory, or whether regulatory intervention is needed.
25. As part of this process, I will be keeping under review the effectiveness of the arrangements you have entered into, with my approval, to meet your licence obligations. You are yourselves undertaking a formal review of the Ticketing and Settlement Agreement, which is the mechanism protecting many key network benefits, including maintaining the range of ticket products, ticket retailing obligations, national conditions of carriage and inter-operator settlement. I have already set out my specific objectives for this review - primarily that it should focus on promoting the interests of passengers and on promoting development and innovation. I am ready to work with you as the review progresses to discuss ways of changing the agreement so that it meets those objectives more effectively.

**Industry structure**

26. Currently, 25 train operators are controlled by 13 different companies. The franchising process provided for competition for the rail market, and the resulting structure provides a measure of competition within that market. One of the benefits of that structure is that, in all product markets - urban, inter-urban and regional - there is the opportunity to measure comparative efficiency, service and performance, and the opportunity to hold poorer performers to account. This degree of transparency is particularly important given the degree of local monopoly that many train operators enjoy, the limited nature of direct on-rail competition, and the fact that some train operators are also monopoly suppliers of other services - e.g. stations and light maintenance - to others. I have no fixed blueprint for the future structure of the railway, but I will expect any proposals for further change - whether through horizontal or vertical mergers - to demonstrate *substantial* public interest benefits before I can support them.

## Summary

27. This document sets out my objectives for the passenger railway. Much of the document is to do with attitudes - the way in which the industry approaches its collective responsibilities - where I am looking to you to develop a climate which encourages competition, cooperation and development in the interests of passengers, which ultimately is in your commercial interests too. Railtrack is one of your key partners in delivering passenger benefits. That relationship must work constructively and well, so that improvements already achieved are maintained and to allow further improvements in the shortest practicable timescale.
28. Over the next few months, I will be discussing with you the development of project plans on major issues such as systems renewal and improved information to passengers. I will also be putting in place systems to monitor compliance with licence obligations and to help me keep the operation of the railway under review. If I see failings, I will expect them to be remedied as soon as possible, but if that does not happen, I will be ready to take enforcement action. *I will be looking, in particular, at the progress you are able to make voluntarily, and will consider licence modifications if voluntary cooperation does not deliver the improvements that I and passengers wish to see.*

## Conclusion

29. *I want to see a railway which develops and thrives, which competes for excellence and attracts more passengers on to the network. I want train operators to achieve commercial success through policies and practices which allow passengers to use the national network easily, flexibly and with confidence. You cannot achieve those objectives by taking a narrow and parochial view of your business and by standing on the strict letter of your legal contracts and obligations. What I expect from you is a wider view of the passenger and public interest and the interests of the railway as a whole: a balance between cooperation and competition which promotes innovation and improvements in the interests of passengers, operators and taxpayers. My aim is to regulate an industry which grows, which delivers improved performance and which offers even better value for money. You have the primary responsibility for that delivery under a firm and fair regulatory contract.*

JOHN SWIFT QC

June 1997