



Overview of the UK Rail Market

Katie-Lee English

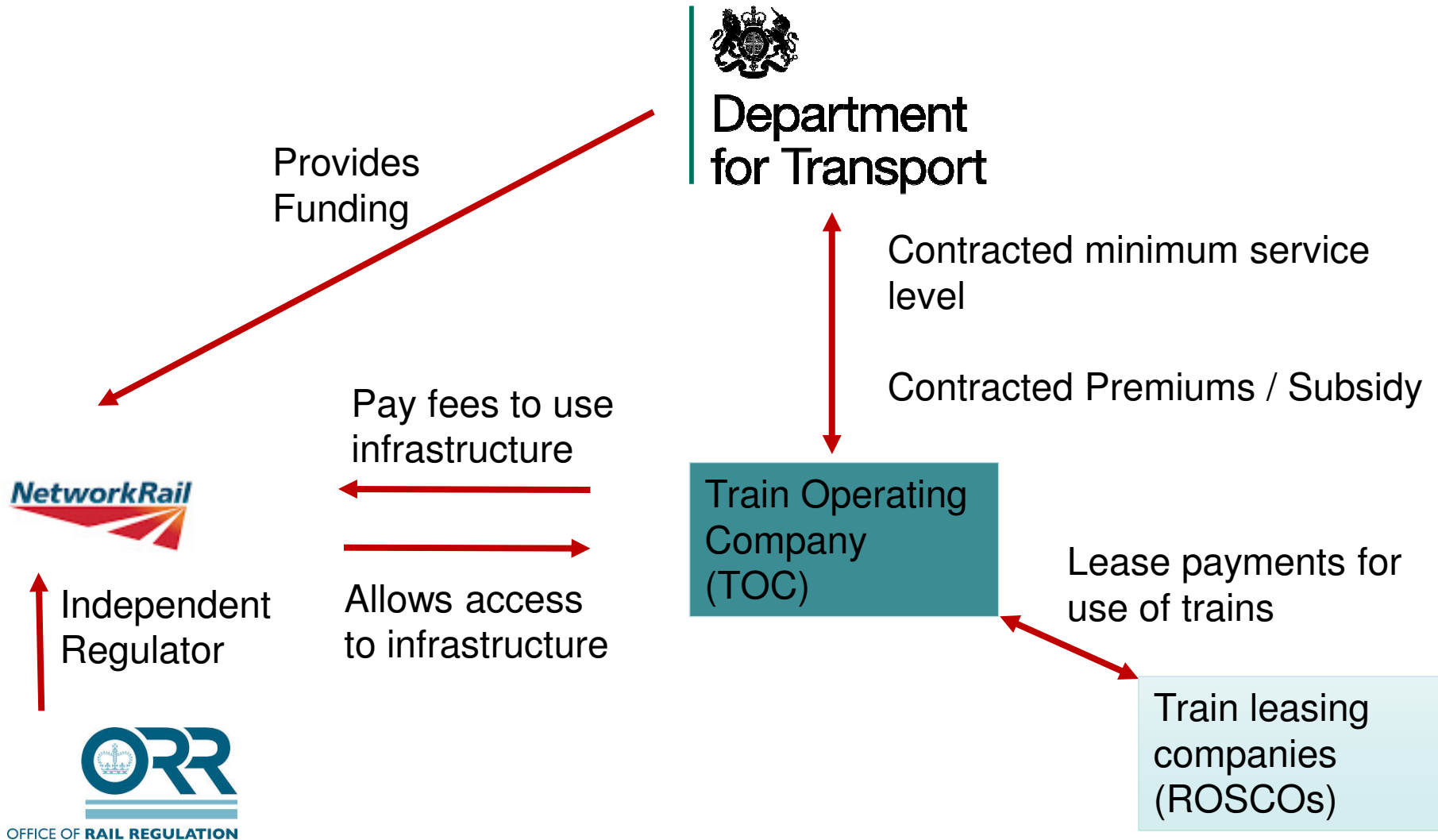
Finance policy for rail franchising



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Industry Structure





1. “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



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Issues with UK competition model

Overbidding

Forecasting
risk

Renegotiation



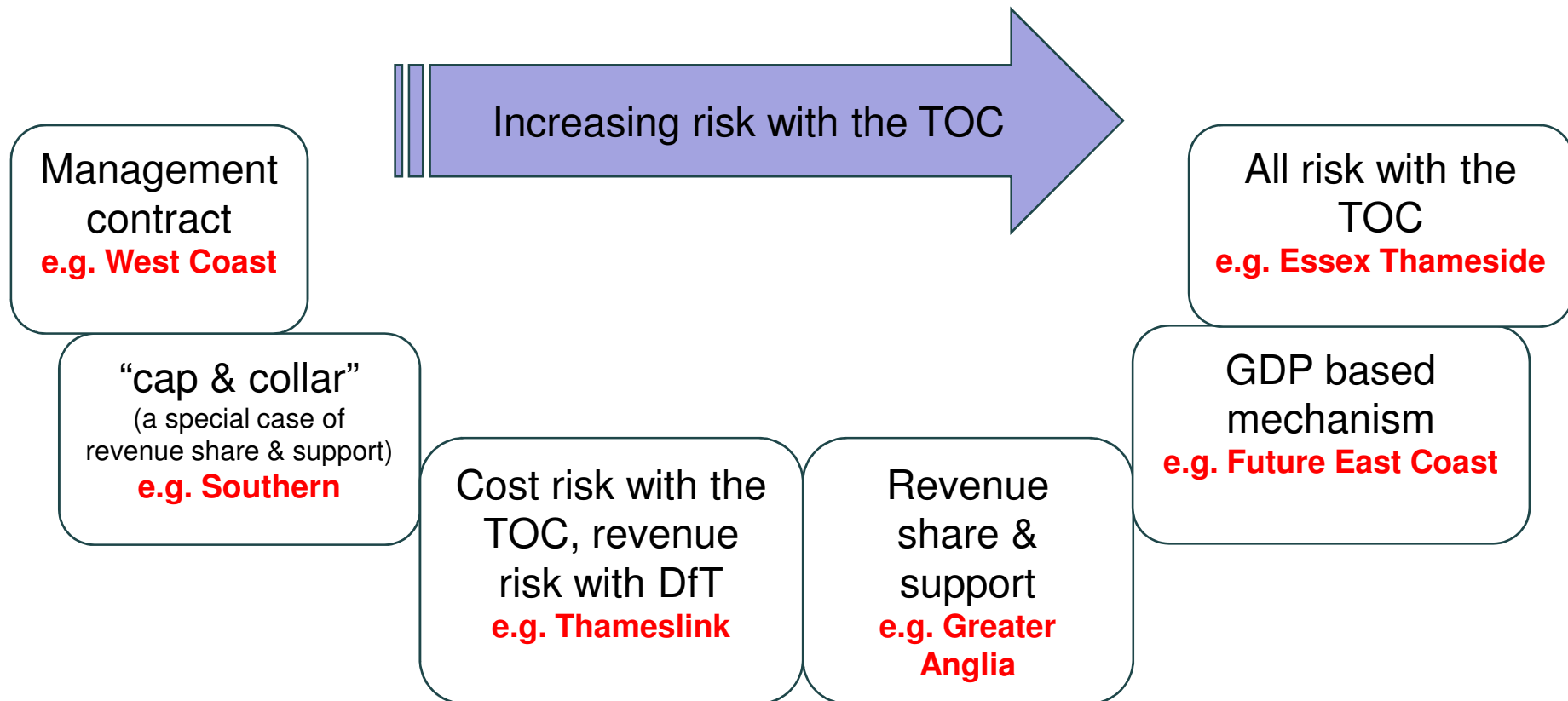
Competitions at the bid stage: Contractual Mechanisms

General rule:

- Weaker incentives
- Lower risk

General rule:

- Better incentives
- Higher risk





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On-Rail Competition



Grand Central



First Hull Trains

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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Contact:

Railfranchising@dft.gsi.gov.uk

(Use Subject: "Transport Economics Conference")