



OFFICE OF RAIL AND ROAD

# Network Rail Regulation: 2019 - 2024

Joanna Whittington  
Chief Executive, ORR

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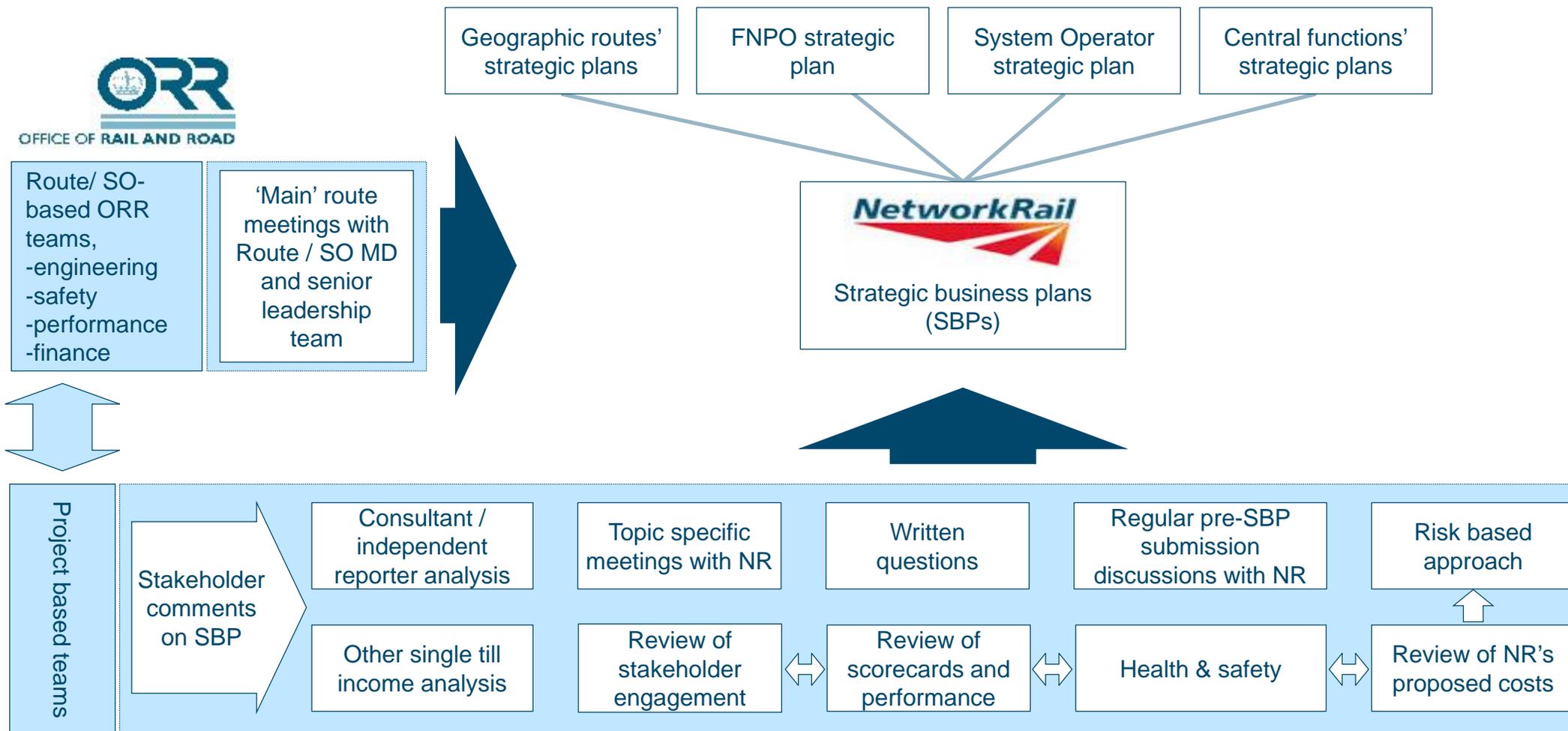
“ORR protects the interests of rail and road users, improving the safety, value and performance of railways and roads today and in the future”

# Regulation reflecting change

- Reinforcing route devolution and the SO, and broader NR transformation
- Reinforce NR and its customers working together
  - ORR is not the customer.
  - This will improve the link to passengers.
- Learn lessons from CP5 on NR's efficiency and our monitoring
- Reinforcing why the Government has provided more money – for increased renewals and hence asset sustainability. Currently sustainability is forecast to decline



# Scrutiny of Network Rail's plans



# E&W: Our main changes

## 1. Network Rail routes to update its plan

- £1bn extra renewals spend to reverse decline in asset sustainability & improve safety
  - £600m extra efficiency savings
  - £300m from Research and Development fund
  - Additional property income
- Additional safety spend

## 2. Network Rail routes and TOCs to revisit passenger performance trajectories

- Engagement so far not good enough
- ORR not stepping in yet
- Introduce a Performance Innovation Fund.

## 3. Risk funds – currently (for E&W)

- £1.7bn sits in centre, £0.6bn in routes. This should change to £0.9bn/ £1.4bn. £0.9bn to be allocated as “contingent” renewals (hence this is lost if costs overrun)
- Improved governance and change control

# Charges & incentives

- Simplification of system – drop incentives that aren't working:
  - Capacity charge
  - Volume incentives
  - REBs
- Cap freight variable charges
  - Two-year period of flat total variable charges, in real terms
  - Increases phased-in over two control periods
  - 2.1% average annual increase, and linked to CPI (not RPI)
- Updated Schedules 4 & 8
  - Making use of new information about passenger behaviour



# Next steps

- Consultation now open until **31 August 2018**.
- Consultation response form can be found on the ORR website:  
[orr.gov.uk](http://orr.gov.uk)
- Contact [pr18@orr.gsi.gov.uk](mailto:pr18@orr.gsi.gov.uk) for further information

