Future of Rail Regulation: how to shape a resilient and responsive Great British Railways

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Oxera's response to the 'A railway fit for Britain's future' consultation

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1 Introduction

Oxera Consulting LLP ('Oxera') is pleased to submit a response to the Consultation paper 'A railway fit for Britain's future'.[1] The consultation will inform the government's work to develop a long-term strategy for Britain's railways.

Oxera is an economics, finance, and data science consultancy with a strong track record in public policy, transport, and infrastructure. For over 40 years, Oxera has advised companies, regulators, investors, and governments across the UK and other European countries, as well as globally on public policy, impact assessments, strategy, competition and market investigations, litigation, mergers and acquisitions, and the design of regulation and markets.

Since the privatisation of British Rail in the early 1990s through to the early stages of the latest rail reform, Oxera has advised government departments, regulators and Great Britain's rail bodies on issues including competition and economic regulation of the railway, infrastructure investment and the associated economic impacts on passengers and freight users. In addition to the ongoing reform programme, we have played a key role in several influential rail reviews—drawing on Oxera's experience advising on infrastructure sectors around the world to help shape thinking on how best to organise, incentivise, and regulate complex natural monopolies such as rail.

We welcome the government's recognition of the challenges facing the railway and the need for a long-term strategy to address these. Rail offers a vital service for people and businesses across Great Britain, supporting economic growth, regional connectivity, and environmental sustainability. In 2014, Oxera analysis found that the rail industry and its supply chain contributed up to £10.1bn in Gross Value Added, supported 216,000 jobs across the UK, and delivered £14.3bn in benefits for both rail passengers and freight users.[2]

However, many rail users are likely to express concerns about whether the current system effectively meets their needs. Recent experience in the GB rail sector reveal substantial challenges, including ongoing

[1] Department for Transport (2025), 'A railway fit for Britain's future', February.
[2] Oxera (2015), 'What is the contribution of rail to the UK economy?', September.

reliability issues, aging infrastructure and financial uncertainties, which require urgent attention and strategic reform.

The rail sector faces mounting external pressures—from growing passenger demand and the drive to reach net zero, to tighter public finances in the wake of the pandemic—all while needing to sustain long-term investment in infrastructure, rolling stock, digital technology, and service innovation. In navigating these challenges, it is important to recognise the progress made since privatisation: passenger journeys have more than doubled, safety and satisfaction levels have improved, and passenger revenues have increased, meaning that the industry has become less dependent on public support. While issues such as fragmentation, service disruption, and rising fares have rightly drawn criticism, the overall direction has been one of positive transformation. Future reforms must build on these achievements, drawing lessons from both successes and setbacks.

Reducing fragmentation within the rail system is aimed at addressing some of these issues, particularly in the context of the challenges ahead. However, **it is essential that Great British Railways (GBR) maintains accountability, efficiency, and effectiveness in a less-competitive landscape**. Strong governance structures, transparency in decision-making, and robust regulatory oversight will be crucial to ensuring that GBR delivers a high-performing railway that meets the needs of passengers and freight users.

We welcome the opportunity to contribute to this important consultation, and look forward to continued dialogue on shaping the future of Britain's railways.

In this consultation response, we provide our views on some of the topics outlined in the consultation document. The consultation paper presents specific questions on which the Secretary of State for Transport is seeking input. To ensure clarity and relevance, at the start of each section, we reference the corresponding question number to which our response is linked. We do not answer all the questions but only those which are most relevant to our expertise.

We begin by setting out our responses to the proposed leadership and governance structure for GBR. We then outline our views on how the new system can ensure effective passenger representation within GBR's governance. This is followed by our responses on the importance of maintaining a fair and effective system for non-GBR participants in a less competitive environment. Finally, we present our views on the proposed financial framework.

2 Leadership for Britain's railways

The success of GBR relies on implementing a governance framework that achieves independence with accountability, while balancing the interests of taxpayers, farepayers, and freight customers. Clear safeguards are needed to prevent undue government intervention, ensure transparency, and maintain effective oversight.

In the following subsections, we present our responses to the consultation on the proposed leadership and governance structure for GBR. They address questions 1 and 2 of the consultation.

2.1 Avoiding the risk of increasing central government intervention

Since the privatisation of the railways in the 1990s, the Department for Transport (DfT) has gradually expanded its role in rail operations. This historical trend raises an important question for the future: how can we ensure that GBR does not become increasingly dependent on DfT, potentially undermining its independence and operational efficiency? Striking the right balance between government oversight and operational autonomy is crucial, especially given the substantial amount of taxpayer funding involved. The government must be able to set the direction and hold the system accountable, but without stifling GBR's capacity for independent decision-making and efficient delivery. In other words, GBR should behave independently, but be willing and able to evidence its decisions to the DfT, the PSA, and the ORR as necessary.

A particular concern is the DfT's ability to intervene in what are termed 'exceptional circumstances'. While this may seem to be a narrow provision, history suggests that there is the potential for such powers to be gradually expanded over time. There is a risk that DfT, under the guise of responding to operational crises, could begin to intervene more regularly in the decision-making processes of GBR, gradually eroding its independence.

A comparison with NHS England offers valuable insight into this dynamic. When NHS England was created, the goal was to reduce the Department of Health and Social Care's (DHSC) direct involvement in operational decisions. However, over time, the DHSC regained control, ultimately reducing NHS England's independence. Like the NHS, the rail sector relies on public funding, which raises the question of whether democratic accountability might increasingly lead to direct ministerial intervention.

Given this history, there is a legitimate concern that a similar erosion of GBR's independence could occur over time if the governance structures and safeguards are not carefully designed. A key lesson from both the railways and the NHS is that, while substantial public funding necessitates effective oversight, there must also be safeguards in place to ensure that decision-making is informed by industry expertise. The stated aim for GBR is to take the DfT out of day-to-day decision-making, allowing for more nimble and expert-driven operational decisions. However, there is a danger that the DfT's involvement, as seen in its response to issues such as the special administration of Railtrack, the Strategic Rail Authority, or Network Rail's enhancement programme, could evolve beyond what was originally intended.

Moreover, the experiences of both the rail sector and the NHS highlight the importance of clear accountability. While ministers remain ultimately responsible to the public, governance structures must support operational independence and efficiency. GBR's governance should therefore be designed to ensure effective oversight without duplicating roles or allowing political accountability to undermine operational effectiveness.

2.2 The role of regulation and oversight

The proposed reforms significantly reduce the role of the Office of Rail and Road (ORR) in regulating GBR. While streamlining regulation can have merit in making it more effective and proportionate, it is essential to carefully consider whether this reduction in oversight could inadvertently increase the likelihood of DfT intervention in GBR's operations. A strong regulatory function is essential to ensuring that GBR operates efficiently, transparently, and in the best interests of all stakeholders. GBR should be able to provide evidence upon request that its operational decision-making is consistent with GBR's overall objectives.

Ensuring proportional regulation is key to maintaining the delicate balance between government oversight and operational autonomy. While it is crucial that regulation is not overly burdensome, there is a risk that reducing the ORR's role too significantly could leave GBR without an adequate independent check on its performance. A proportional regulatory framework would maintain necessary oversight without stifling innovation or flexibility in operations.

Given the railway system's reliance on taxpayer funding, it is essential to maintain confidence in GBR's decision-making processes. Regulatory oversight not only strengthens accountability, but also helps to protect GBR from political pressures that could lead to short-term decision-making. Without clear justification for limiting the ORR's role, there is a risk of weakening an important safeguard against inefficient or politically motivated short-term interventions.

2.3 Ensuring a sustainable governance model

Managing a national railway network requires a long-term strategic approach, free from short-term political pressures. GBR's success depends on its ability to plan and operate with a clear focus on long-term infrastructure needs. This requires well-defined governance structures, transparent decision-making processes, and mechanisms that hold GBR accountable to both government and stakeholders.

In summary, while the proposed governance model aims to give GBR greater autonomy, it must also ensure that regulatory oversight is sufficient to maintain transparency and prevent excessive central government intrusion in day-to-day decision-making. Careful thought should be given to how the ORR's role can be shaped in a way that supports effective oversight while allowing GBR to operate independently. Balancing these elements will be essential to ensuring the long-term success and stability of GBR.

3 A new voice for passengers

We welcome the establishment of the Passenger Standards Authority (PSA) as an independent watchdog to ensure passenger interests remain central to GBR's decision-making. However, its design must be robust, ensuring that passenger voices are meaningfully considered when balancing trade-offs between infrastructure investment and passenger needs.

In this section, we outline our response to the proposed role of the PSA and explore mechanisms to ensure effective passenger representation in GBR's governance. It addresses questions 4 and 5 of the consultation.

3.1 Ensuring a strong passenger voice

In theory, the creation of a single guiding mind for the railway should enhance coordination between track and train operations, leading to smoother service delivery. However, major structural changes always bring trade-offs that need careful management. One significant challenge will be balancing long-term infrastructure investment with the day-to-day priorities of passengers and freight users. While infrastructure projects bring long-term benefits, their delivery should be carefully managed to minimise adverse impacts on service reliability, punctuality, and the passenger experience today.

This raises important questions about how the PSA will operate in practice, ensuring that passenger needs remain central to GBR's priorities while allowing GBR the flexibility to make necessary operational decisions. In this context, it may be valuable to examine the Wessex alliance between Network Rail and South Western Railway. This alliance sought to integrate track and train operations in a way that balanced long-term infrastructure investment with the immediate service priorities of passengers. Understanding the challenges they faced and the lessons they learned could provide valuable insights for how GBR might navigate similar trade-offs in its own governance and operational framework.

Independent oversight is essential to holding GBR accountable, while ensuring that it is not subject to excessive micromanagement. The PSA must be designed to provide effective scrutiny—particularly through transparency and user engagement—without restricting GBR's ability to deliver services efficiently.

From a regulatory economics perspective, the more effectively consumers are involved in monitoring behaviour, the less need there is for heavy-handed regulation. It may be useful to look at mechanisms from other sectors to help strengthen passenger representation and engagement in GBR's decision-making.

- Ofgem requires regulated companies to establish Independent Stakeholder Groups (ISGs), which scrutinise business plans and hold companies accountable for delivering consumer-focused outcomes.[3] A similar approach for GBR—especially at a regional level, which could work well with devolution plans—could ensure that local passenger needs are properly considered.
- The Council for the Independent Scrutiny of Heathrow Airport (CISHA) provides a structured platform for local communities to engage with airport decision-makers on critical issues such as noise, air quality, and expansion plans.[4] Applying a similar collaborative decision-making model to rail could enhance transparency and stakeholder engagement.
- The Financial Conduct Authority's (FCA) Consumer Duty ensures that firms' decisions lead to fair and beneficial outcomes for consumers.[5] In the rail sector, this could mean requiring GBR to ensure that passengers can easily choose the right ticket for their journey, with clear and fair pricing structures.

By incorporating lessons from these models, the PSA can be more than just a monitoring body—it can act as a genuine force for improving passenger outcomes, ensuring that GBR remains focused on service quality, accessibility, and affordability alongside its long-term infrastructure commitments.

[3] Ofgem (2024), 'RIIO-3 Business Plan Guidance', p. 7.
[4] Council for the Independent Scrutiny of Heathrow Airport website, 'The Council for the Independent Scrutiny of Heathrow Airport (CISHA)', accessed 4 April 2025.
[5] Financial Conduct Authority website, 'Consumer Duty', accessed 3 April 2025.

4 Making best use of the rail network

This section presents our responses to the proposed new access framework and the role of the ORR as an appeals body, addressing questions 7, 8, and 9 of the consultation.

A key issue under consideration is the need to ensure a fair and effective system for non-GBR participants in a less-competitive landscape. In particular, it is crucial that GBR's monopoly over the provision of infrastructure and its role as a competitor to other operators and third-party retailers does not result in an imbalance that undermines the effectiveness and fairness of the system.

4.1 Ensuring a fair and effective system for non-GBR participants

GBR will play a central role in the GB rail sector, not only as the infrastructure provider, but also as a significant competitor to other passenger operators and third-party retailers. As such, GBR will have significant control over day-to-day decision-making, long-term planning, and the costs associated with accessing the network. This raises concerns about how the interests of non-GBR participants, including other passenger operators, freight operators, and third-party retailers, will be safeguarded. Given the scope of GBR's influence, it is important to establish a system that ensures fair, transparent, and non-discriminatory treatment of all market participants.

Around 25% of the rail market is expected to remain outside GBR's direct control.[6] While integrating track and train operations could enhance coordination, such consolidation can present significant challenges in ensuring fair, transparent, and non-discriminatory treatment for all market participants.

Without adequate safeguards, there is a significant risk that GBR's dominance could lead to disputes, and create barriers for third-party operators and retailers seeking fair access to the network. Such issues could prevent the delivery of additional capacity in areas where it is most needed, and hinder the benefits that competition can bring—such as reduced fares, improved service quality, and a more dynamic market overall.

[6] FirstGroup plc (2025), 'Moving forward together: Why open access is essential for a better railway', January, p. 15.

4.1.1 Cost allocation and transparency

One of the primary concerns regarding GBR's dominance is the allocation of costs. As the controlling body for access to rail infrastructure, it is vital that GBR allocates these costs fairly and transparently. The proposed reforms indicate that GBR will be responsible for a degree of cost allocation.[7] However, non-GBR operators must have confidence that the Track Access Charges (TACs) they pay reflect only the infrastructure-related costs attributable to their own use of the network, and not costs arising from GBR's service operations. Without clear and transparent methodologies for determining TACs, there is a risk that:

- operators will question whether they are being charged fairly and solely for what they use; and/or
- GBR could exploit its monopoly provision as infrastructure provider, and its dominant position as a passenger service provider in a manner which seeks to foreclose competition—a behaviour that would raise serious concerns under UK competition law and could ultimately harm passengers and freight customers in the long term.

It is crucial that GBR provides enough transparency to reassure operators that charges are fair, and do not inadvertently include costs that should be borne by GBR itself or other operators. Any deviation from the current approach to setting access charges could have significant consequences for the business models of future non-GBR operators (or existing operators contemplating providing new services in future). A lack of clarity in cost allocation may discourage potential entrants, and limit the effectiveness of competition within the sector.

Clear cost allocation methodologies will be required to manage these risks. One solution to the cost-accounting issue could be to require two separate accounts from GBR: one for infrastructure, and one for operations. Similar approaches have been used in fixed-line broadband regulation, to ensure that incumbents refrain from recouping costs incurred by servicing one part of the network from users consuming services on another part of the network.[8] Clear cost allocation methodologies do not preclude the benefits of joining up the profit and loss statements across both infrastructure and operational services. By

[7] Department for Transport (2025), 'A railway fit for Britain's future', February, para. 3.23.
[8] This is formally referred to as 'accounting separation', which is a requirement for a vertically integrated undertaking to draft a profit-and-loss account per market, in order to verify the lack of discrimination or unfair cross-subsidy. For more details, see ,for example, Belgian Institute for Postal Services and Telecommunications website, 'Accounting Separation', accessed 16 October 2024.

integrating these functions, GBR could better align incentives, streamline decision-making, and maximise overall system efficiency, while still ensuring that costs are fairly allocated and transparent to all market participants.

4.1.2 Access to the network and appeal mechanism

The proposed reforms suggest that GBR will set the Access and Usage Policy, with the ORR serving as the appeals body for disputes on access decisions and TACs. However, the government's assertion that the ORR will only intervene in 'exceptional circumstances' raises concerns regarding the ability of non-GBR operators to effectively challenge GBR's decisions.[9] The narrow scope for appeals could limit opportunities for non-GBR participants to address potentially unfair or anticompetitive decisions, to the long-term detriment of passengers and the wider economy.

Moreover, there is a concern that the ORR's role might focus primarily on procedural fairness—assessing whether GBR has followed the correct processes—rather than evaluating the substance of its decisions. Non-GBR operators may be left without recourse if an access decision, though procedurally sound, does not contribute positively to the network's overall value or competitiveness.

To avoid this, the appeals process should encompass not only adherence to process, but also substantive assessments of whether decisions enhance the railway's efficiency, inclusivity, and long-term viability.

In other sectors, stronger and more structured appeals mechanisms provide greater confidence for stakeholders, as outlined in the examples below.[10]

- **Energy**—energy networks can appeal Ofgem's regulatory determinations to the Competition and Markets Authority (CMA). The CMA conducts a merit-based assessment, focused on specific aspects of Ofgem's decision, as opposed to reviewing Ofgem's whole determination in the round. An appellant can also appeal on multiple grounds. The focus of the CMA's assessment is whether the decision of the regulator was 'not wrong' or 'wrong'.

[9] Department for Transport (2025), 'A railway fit for Britain's future', February, para. 3.39.
[10] For more details on the appeals regimes used in other UK-regulated sectors, see Department for Business and Trade (2023), 'Smarter Regulation: Strengthening the economic regulation of the energy, water and telecoms sectors', November, pp. 59–66.

- **Water**—water companies can also refer Ofwat's regulatory determinations to the CMA. However, in contrast to energy, in water the CMA undertakes a redetermination: that is, it reaches its own independent judgements as to the right outcome based on the facts and evidence before it. As the CMA is conducting a redetermination and can obtain additional facts and evidence where appropriate, the range of possible outcomes is wider than under the energy regime.

There are pros and cons to any specific appeals framework. For example, industry and investors have described the redetermination regime in water as 'gold standard', although it is a more costly and intensive process than the appeals regime in energy (given that the CMA is applying its own independent judgement on the issues, rather than assessing whether the decision was 'right' or 'wrong').

In any case, it should be noted that the appeals regimes applicable in the UK-regulated utility sectors have been praised extensively by investor groups. For example, as the Global Infrastructure Investor Association notes:

> The UK's legal appeals regime provides certainty and predictability about how regulators will be held to account for their decisions [...] Not only does it provide a means of redress for companies and investors in the event of regulatory error; it also ensures that regulators take decisions that they believe will withstand robust and rigorous scrutiny.
>
> **Global Infrastructure Investor Association (2022), 'Regulating for Investment', 10 June, p. 12.**

We recognise that each sector is unique, and that certain aspects of the regulatory framework applicable in rail will be different to that prevailing in the energy and water sectors. In particular, following the introduction of GBR the ORR will be the appellant body, rather than the regulator whose decision could be subject to appeal.

Nevertheless, it is clear that there are insights which can be garnered from examining the appeals frameworks applicable in other regulated sectors. We therefore strongly encourage the government to consider precedents from other sectors in more detail before deciding on the exact framework for appeals applicable in rail.

4.1.3 Ensuring fair pricing strategies

Another significant risk is the potential for anti-competitive pricing strategies, given the dominant position that GBR will hold over both TACs and fare-setting.

One particular concern is the possibility of a margin squeeze, where GBR could use its control over TACs to narrow the gap between wholesale charges and retail fares, making it difficult for competitors to operate profitably. Without clear cost allocation rules and a strong, independent appeals mechanism (see sections 4.1.1 and 4.1.2), there is a risk that this strategy could be used to deter entry, force existing competitors out of the market, or marginalise competitors in a manner which is damaging to the interests of passengers.

Similarly, as the dominant operator, GBR will have significant control over fare setting, creating the possibility of undercutting new entrants by temporarily lowering fares to unsustainable levels. While competition in fares can benefit passengers, it can be problematic if prices are set below cost as a strategy to push out open access competitors, as the market becomes distorted by artificially low prices.[11]

While it may seem unlikely, there have been instances in Europe where concerns have been raised about such margin squeeze or predatory pricing behaviour.[12] It is therefore important to ensure that any pricing strategies employed by GBR do not harm the long-term viability of competitors.

To mitigate the risk of such anticompetitive behaviour, safeguards should be introduced to ensure transparency and accountability in pricing decisions. Margin squeeze tests, for example, can assess whether the spread between TACs and fares is sufficient to allow an 'efficient' operator to enter and compete.[13] Requiring GBR to publish clear and reasoned justifications for its fare and access charge

[11] It should be noted that such a strategy may be profitable even if the competitor is simply 'marginalised', but does not entirely exit the market.

[12] For instance, the European Commission investigated Deutsche Bahn for a potential margin squeeze in the supply of traction current. DB Energie, its subsidiary and sole supplier in Germany, allegedly offered rebates favouring DB's own services, potentially squeezing rivals' profit margins and hindering competition. To address these concerns, Deutsche Bahn offered commitments to the European Commission, including adjusting its pricing system to ensure that electricity prices charged to competitors were fair and non-discriminatory. European Commission (2013), 'Antitrust: Commission market tests commitments proposed by Deutsche Bahn concerning pricing of traction current in Germany', accessed 4 April 2025.

[13] This raises a question of how to define an 'efficient' operator for the purpose of the margin squeeze test. For more details, see Oxera (2009), 'No margin for error: the challenges of assessing margin squeeze in practice', November.

decisions could also help to promote fair competition and prevent the misuse of market power.

4.1.4 New freight duty and balancing competitive interests

GBR's new statutory duty to support freight is a welcome development, particularly as the freight sector plays a key role in reducing road congestion and supporting environmental sustainability. However, it is still unclear how GBR will balance the competing interests of freight, passengers, and taxpayers in practice. The exact nature of GBR's duties in relation to freight operators will be critical to ensuring that all sectors are adequately supported, without compromising the interests of other stakeholders. This may require a clear economic framework for assessing value—for example, comparing the social and economic benefits of freight movements (such as emissions savings or road decongestion) against those of passenger services—so that infrastructure use can be allocated efficiently and transparently.

While the government's intention to empower GBR with a broader remit is positive, the balance between passenger services, freight duties and the needs of taxpayers will require careful consideration and ongoing adjustment. It is essential that GBR's governance framework facilitates this balance and provides clear mechanisms for all stakeholders to ensure that the system operates equitably.

5 Financial framework

For GBR to successfully deliver on its long-term objectives, it must operate within a stable financial framework that provides sufficient certainty for investment, planning, and project delivery. Predictable funding arrangements are critical to ensuring effective infrastructure development, network enhancements and service improvements.

In this section, we present our responses to the proposed financial framework, addressing question 12 of the consultation. We highlight key concerns around the setting of efficiency targets and the design of the funding settlement mechanisms.

5.1 Setting efficiency targets

The proposed reforms envisage separate budgets for infrastructure management and passenger services during the transition period.[14] However, as these budgets become integrated over time, new challenges will emerge.

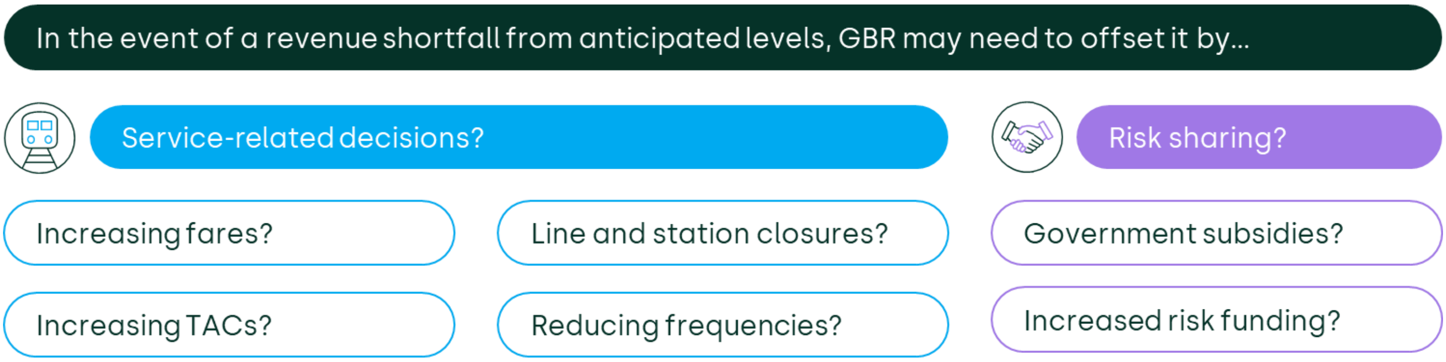
While the ORR will continue to oversee efficiency, setting long-term efficiency targets will require assessing both GBR's infrastructure and service delivery. This marks a significant shift from the ORR's current benchmarking approach, which focuses solely on infrastructure management, and will necessitate substantial methodological updates.

Importantly, given GBR will be part-funded by farebox revenue from passenger services, it will face a new and significant financial risk. Unlike the relatively stable income from TACs, farebox revenue is volatile and difficult to predict. This introduces complexity into determining what GBR should be expected to deliver within a fixed public funding envelope, as it requires assumptions not only about cost efficiency but also about the level of efficient revenue generation.

If farebox revenues fall short of expectations once the control period is set, GBR may face a substantial funding gap. In such a scenario, it may need to consider difficult trade-offs—such as reducing services, increasing fares, or raising TACs. Alternatively, the government may need to intervene to cover the shortfall.

[14] Department for Transport (2025), '[A railway fit for Britain's future]', February, para. 4.15.

Figure 5.1 GBR's array of decision options in the event of a revenue shortfall



Source: Oxera.

In this context, the DfT and HM Treasury may need to develop a new risk-sharing framework with significantly more contingency than is currently provided to Network Rail under the periodic review.

One option could involve sharing revenue risk between GBR and public funders such as the Treasury or devolved authorities. However, these protections must be carefully designed; the more financial shielding GBR receives, the weaker its incentive to operate efficiently and deliver high-quality services. Striking the right balance between financial resilience, incentives and accountability will therefore be critical.

5.2 Uncertainty on the Statement of Funds Available

A key concern is the proposed shift in how the Statement of Funds Available (SoFA) is determined for each Control Period. Currently, the SoFA represents a fixed financial settlement that cannot be adjusted once agreed upon (without a corresponding change in access charges), providing essential stability for rail infrastructure planning. However, under the proposed reforms, it appears that the government will have the ability to modify the SoFA within a Control Period:

> The ORR will have a role in monitoring and reporting on major changes made to GBR's plans 'in-life' as well as monitoring major changes to the grant awarded through this funding process in order to protect the integrity of the 5-year settlement.
>
> **Department for Transport (2025), 'A railway fit for Britain's future', February, para. 4.11.**

This flexibility raises the prospect of mid-period funding reductions, which would create uncertainty for GBR and its supply chain, making it more difficult to commit to long-term projects and investment decisions. A stable and predictable funding framework is essential to maintain supply-chain confidence, ensure efficient resource allocation, and support a consistent pipeline of rail improvements.

However, it is not just revenue and capital funding for infrastructure that enables people to plan effectively. Franchising previously provided long-term commitments from government in relation to funding passenger services: however, this could be removed following the introduction of GBR. Therefore, the new structure should ideally create mechanisms by which the funding for passenger services is committed to over multi-year periods. In addition to providing confidence across the supply chain, such commitments will also help people and businesses plan on the assumption of commuter service availability.

5.3 Guaranteeing multi-year settlements

Focusing particularly on the infrastructure element of GBR, a key objective of the new rail framework should be to guarantee multi-year funding settlements that provide GBR with the certainty needed to maintain and renew the network. The experience of National Highways offers a cautionary example of the challenges that arise when funding arrangements are subject to government delays and revisions.

Unlike the rail sector, which has adhered to a five-year timetable for Control Periods (CPs) as mandated by legislation and where the ORR makes the final decisions, National Highways has faced significant difficulties due to uncertainties in government funding and planning decisions. The ORR has raised concerns that the less-certain funding framework for motorways and A-roads in England jeopardises essential infrastructure commitments and undermines planning stability.[15]

The National Highways experience demonstrates that it is not sufficient to rely on legislation to oblige government to adhere to deadlines regarding setting a SoFA. The current rail model, in which the ORR dictates the timetable for periodic reviews, is less prone to government not being able to provide timely decisions regarding funding and required outputs. It also creates the safety valve for the underlying

[15] Office of Rail and Road (2024), 'England's strategic road network faces significant challenges and uncertainty – Office of Rail and Road', July.

infrastructure, through the legal mechanism to raise funding from rail users if government grants are reduced 'in-period'.

If government cannot be obliged to commit to funding GBR under a five-year settlement (which, as we set out above, should ideally cover revenue funding for subsidised services, as well as infrastructure funding), then the network will not only have to manage with reduced funding levels, but also suffer from inefficiencies and service cuts driven by short-term fiscal pressures.[16]

[16] In fact, leaked Network Rail documents revealed that the organisation faced a significant funding shortfall for maintaining, operating, and renewing the UK's railway infrastructure during CP7, the current five-year funding period. The documents highlighted that this financial gap is expected to lead to increased delays, reduced reliability for passengers, and cuts to maintenance on services that generate lower revenue. New Civil Engineer (2023), 'Network Rail has insufficient funds to maintain the UK's railway infrastructure', April.

6 Conclusion

The consultation document sets out proposals that align with the government's policy objective of maximising the benefits of integration through the establishment of GBR, particularly by consolidating track and train operations and granting GBR greater autonomy. However, in doing so, it also removes key checks and balances that are critical to ensuring GBR is held to account in delivering efficiently and fulfilling its broader responsibilities.

These checks and balances are not optional safeguards—they are essential to securing a rail system that is fair, transparent, and responsive to all users of the network. Without them, there is a real risk that GBR will operate with insufficient external scrutiny, reducing incentives to drive efficiencies, improve service quality, and respond to the needs of passengers, freight customers, and third-party providers.

While there is an inherent trade-off between granting operational autonomy to GBR and ensuring it remains accountable, there are practical and proportionate mechanisms that can be put in place to strike this balance. These do not need to unduly restrict GBR's ability to deliver on its core objectives—instead, they can enhance trust and legitimacy in its operations. We consider the below three areas to be particularly important see three areas as especially important:

1. **Effective consultation:** ensuring that all relevant parties, including non-GBR operators and third-party retailers, have a clear and meaningful voice in decision-making processes.
2. **Transparency in decision-making:** clear and open decision-making is critical to ensuring accountability and fostering trust among market participants, including passengers, freight operators, and third-party retailers.
3. **Clear cost allocation methodologies**: these must be fair, transparent, and independently monitored to prevent market distortions and maintain a level playing field for all operators.

Without these measures, there is a real risk that GBR will face competition law complaints, and—more generally—that reform does not maximise the benefits of the rail network.

Finally, robust, long-term checks and balances must be embedded into GBR's governance and regulatory framework. This is critical to maintaining funder confidence that the system is operating efficiently, delivering value, and adapting to evolving market conditions. The role of the regulator will be central in achieving this, by ensuring that oversight is proportionate yet effective in holding GBR to account.

We welcome continued engagement on these critical issues and hope the ideas set out in this response provide a constructive starting point for shaping GBR's regulatory, governance, and financial frameworks.

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