

Railways Bill

Lead department	Department for Transport
Summary of proposal	This proposal is to create a simplified and unified rail sector, through a range of measures such as establishing Great British Railways as a new body responsible for planning and operating passenger services and managing infrastructure.
Submission type	Impact Assessment – 17 th June 2025
Legislation type	Primary legislation
Implementation date	
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Date of issue	28 July 2025

RPC opinion

Rating	RPC opinion
Fit for purpose	The assessment outlines the rationale for intervention, based around the lack of integrated decision making across track and train, a lack of clear accountabilities and the existence of a set of market failures. The IA considers various long-list options, including an alternative to regulation, progressing two to the shortlist in addition to the ‘do nothing’ option. The assessment should provide more detail for these options. The SaMBA provided is sufficient. The assessment includes a qualitative justification for the preferred way forward, which could benefit from a more detailed appraisal of the options. The scorecard provides a satisfactory summary of expected impacts to businesses and individuals, which should have include more monetisation of impacts such as efficiency gains. The assessment includes a satisfactory M&E plan, with a clear plan to collect data and a set of metrics used to assess the policy. This would benefit from setting out a clearer timeline.

RPC summary

Category	Quality	RPC comments
Rationale	Green	The assessment outlines the rationale for intervention, based around the lack of integrated decision making across track and train, a lack of clear accountabilities and the existence of a set of market failures. The Department clearly presents a set of SMART objectives.
Identification of options (including SaMBA)	Green	The assessment considers various long-list options, progressing two to the shortlist in addition to the 'do nothing' option. The assessment should have provided more detail for these alternative options. The assessment considers an alternative to regulation, advancing it to the shortlist. The SaMBA provided is sufficient.
Justification for preferred way forward	Green	The assessment includes a qualitative justification for the preferred way forward. The assessment could benefit from a more detailed appraisal of the shortlisted options.
Regulatory Scorecard	Satisfactory	The scorecard provides a satisfactory summary of expected impacts to businesses and individuals. A headline NPV figure has not been included due to insufficient monetisation. The scorecard should have included more monetisation of impacts such as efficiency gains and further consideration of distributional impacts.
Monitoring and evaluation	Satisfactory	The assessment includes a satisfactory M&E plan, with a clear plan to collect data and a set of metrics used to assess the policy. The plan would benefit from setting out a clearer timeline, alongside including evaluation questions, a discussion of potential unintended consequences and external factors.

Summary of proposal

The Department for Transport (DfT) is responsible for governance of the rail sector and has recently been introducing a programme of rail reform as part of its Rail Sector Transformation Programme (RSTP). This has included the Passenger Railway Services (Public Ownership) Act 2024, which ended the previous franchise based system in favour of provision by public sector companies.

The Government considers the railway industry to be fragmented and lack clear accountability as it currently exists. As a result, the Government intends to legislate to create a joined-up system to enable the operation of the new rail system.

The Department proposes three shortlisted options in this Impact Assessment (IA), assessed against a 'Do nothing' counterfactual option:

- **Option 0** – Do nothing (counterfactual)
- **Option 1** – Non-legislative measures: Intervention within the existing Public Ownership Act, such as promoting greater collaboration and alliances between existing rail bodies.
- **Option 2 (Preferred)** – Legislative measures: A package of measures including establishing Great British Railways, making it responsible for the delivery of passenger services and infrastructure management.

Rationale

Problem under consideration

The Department's problem under consideration is based around the lack of integrated decision making across track and train, alongside a lack of clear accountabilities. This leads to a misalignment in incentives across the rail sector, causing inefficient outcomes. These inefficiencies include a duplication of roles, a lack of coordination between transport modes and a lack of focus on systemic issues.

The Department has used evidence from previous reviews of the sector, such as the 2019 Williams review to support its argument that there is a longstanding issue of fragmentation across the sector. The IA also could have included evidence from Network Rail's System Operator, which was set up to address many of the issues considered here. The problem under consideration would be improved by summarising the key findings and recommendations from these reviews in more detail to help support the Department's case, either as part of this section or in the evidence base annex.

Argument for intervention

The argument for intervention is based on the current fragmentation and lack of clear accountability in the rail sector, the existence of multiple market failures and the

failure of previous attempts to mitigate these within the old franchise model. Some of these previous attempts include performance monitoring by the ORR and the introduction of open access operators to encourage competition. The assessment could be improved by discussing in more detail how these schemes have failed, including any review exercises that have looked at these policies specifically.

The assessment gives four examples of market failures to support the case of intervention. These are the information failure caused by the lack of coordination between parties, principal agent issues caused by the hiring of third-party contractors, negative externalities incurred by passengers caused by the fragmentation in the current system and the productive inefficiency from the overlap and duplication of roles across bodies. The assessment could be improved by doing more to demonstrate how the proposed intervention will internalise negative externalities imposed on passengers caused by issues such as train delays, rather than a relatively broad attempt to reduce poor performance. The argument for intervention could be improved by doing more to explain why the funding gap has increased by such a significant amount.

Objectives and theory of change

The Department has set out three policy objectives. These are: integrating track and train into one organisation, clear accountability and more joined up decision making. The Department could do more to separate its objectives from the policy itself, focussing on the desired outcomes of their intervention. The IA does mitigate this by including a theory of change for the proposal, that demonstrates the process by which each of the measures achieves high-level benefits such as improved passenger experience, gains in economic growth and productivity and cost savings. The assessment sets out how each of these objectives meets the SMART framework (Specific, Measurable, Achievable, Realistic, Time-limited), describing how the objectives meet each of the criteria in a table. This could be improved by setting a framework by which the objective of more joined up decision making between rail and local authorities could be achieved within a certain timeframe. The objective of more joined up decision making should be better explained, in terms of why this doesn't work well now and why the preferred option is the only one under which this can be achieved.

Identification of options (inc. SaMBA)

Identification of options

The assessment considers four potential interventions to form its long-list, in addition to a counterfactual 'do nothing' option. These include: (i) a non-legislative option designed to operate within the existing Passenger Railway Services Act, (ii) the set of legislative measures proposed in the previous government consultation, (iii) legislative measures as proposed in the draft Rail Reform Bill and (iv) using a statutory instrument to create an external body. These interventions have each been briefly summarised qualitatively and assessed against the policy objectives, with the Department using a scoring system to demonstrate how they have performed against each objective.

The Department does well to use the evidence base annex to highlight the process of forming the preferred option, however it could benefit from providing similar detail covering both what could be included in the alternative options and the policy formation process behind them. In particular, the alternative primary legislative option should be covered in more detail to provide a more suitable comparison between it and the preferred legislative measures. The assessment could also benefit from using the Green Book's Strategic Options Framework Filter (SOFF), which could help the present the long-list in greater detail whilst retaining a clear and concise structure.

The assessment has discounted two of the proposed longlist interventions, with the remaining two progressing to the shortlist. These are Option 1, the non-legislative option, and Option 2, the Department's preferred legislative measures. These have been considered alongside the 'do nothing' baseline option.

This assessment uses its SMART objectives as Critical Success Factors (CSFs) to summarise and assess the longlisted options, and to allow for easier comparison. This assessment has been used to discount options and advance others to the shortlist. The assessment would benefit from setting out a fuller explanation for why discounted options are not suitable, including a discussion of the potential risks and explanation of why options may not be feasible, as for some options there is little detail beyond the assessment against the objectives.

Consideration of alternatives to regulation

The IA has considered an alternative to regulation as one of the shortlisted options, proposing interventions to encourage collaboration and integrated decision making within the existing structure. This could include promoting greater alliances between existing industry organisations and achieving greater collaboration through Shadow Great British Railways, but no further legislative changes. This option has been included in the shortlist to ensure it has been considered fully. The assessment provides a sufficient justification for discounting this option following the shortlist stage and therefore pursuing regulatory change, demonstrating that the non-legislative option does not meet the Critical Success Factors (CSFs) as effectively as the preferred option.

SaMBA

The assessment includes an adequate SaMBA. The assessment estimates that 37.5% of firms within the passenger rail sector are small and micro, compared to a much higher 90.9% in rail freight. Whilst the majority of businesses in the rail freight sector are small and micro, the proposed changes are not expected to have a significant impact on the wider rail freight supply chain which makes up the bulk of these small firms, with greater impacts expected for larger freight operators instead. Given the scale of the sectoral changes brought about as part of the rail transformation programme, the Department argues that it is not possible to exempt small and micro businesses from the legislation. The Department could have discussed the potential feasibility of providing some mitigations to reduce the impact on small and micro businesses.

The small and micro business impact has been assessed for the preferred option, with the Department usefully providing a table that lists potentially affected businesses along with their size. These include open access operators (OAOs), rolling stock leasing companies (ROSCOs) and freight operators, who will likely face familiarisation and admin costs, along with a weakening of market position due to the newly created Great British Railways. This could be improved by discussing the way in which the legislation affects different types of small business in the sector, as the way the reforms impact OAOs and ROSCOs, for example, is likely to differ.

Justification for preferred way forward

Appraisal of the shortlisted options

The IA includes an assessment of each of the shortlisted options, setting out how each performs against a set of Critical Success Factors (CSFs) in order to determine the preferred way forward. These CSFs are potential achievability, strategic fit, value for money and potential affordability.

The assessment discusses how Option 2 is expected to unlock more significant reform benefits than Option 1. This is due to the option more effectively addressing the issues of fragmentation and reducing the long-term cost pressures faced by the industry. The IA also argues that Option 2 goes furthest in addressing the market failures and meeting the SMART objectives, however it should set out in greater detail how it achieves this. As a result of the CSF appraisal, Option 2 performs better than Option 1 over all four of the criteria, and so is the Department's preferred option. The IA would be improved by expanding the qualitative discussion justifying the Department's conclusion that Option 2 is preferred to Option 1, instead of relying on the assessment against the CSFs which only considers the options in isolation.

The level of analysis conducted by DfT is sufficient at this stage. However, the appraisal of the shortlisted options could be significantly expanded and should include a greater justification for why these options were not subject to a cost benefit analysis, as is expected by the HMT Green Book. The assessment could have included a qualitative discussion of how the policies perform against the objectives beyond the table provided, a consideration of the non-monetised impacts of each of the options to show why one is preferred to the other, and extending the indicative monetised analysis of Option 2 seen later in the IA to Option 1, allowing for a more straightforward comparison between the two options. The Department does usefully provide a 'switching value' analysis to demonstrate the likelihood of the preferred option delivering benefits

Selection of the preferred option

Overall, the assessment of the options against the CSFs is a reasonable level of analysis that helps justify the Department's decision to prefer Option 2 to Option 1. The IA should however provide more detail on why their preferred approach has been chosen, with more discussion of how each option performs relative to the other and the inclusion of further monetisation.

Regulatory Scorecard

Part A

The scorecard has been used to provide an indication of the impact of the preferred options, with a positive impact expected on overall welfare. This is based on the positive impact of enhanced performance of the railways and cost efficiency bringing benefits that outweigh the initial capital costs and impact on existing businesses. This has been largely based on a discussion of non-monetised impacts, with some indicative monetised figures, such as set up costs to the government, and familiarisation and administrative costs for both businesses, and government. The Department should have made a further attempt to monetise some of the impacts at this Impact Assessment stage, such as providing an indication of the potential efficiency benefits which have been partially included in the evidence base annex, but not the scorecard. The Department also could have used examples from similar international rail systems to help provide an indication of the potential impacts. Due to the limited analysis of all the identified impacts a headline Net Present Value (NPV) has not been provided, though a range based on a few monetised costs has been provided. This estimate is -£203m to -£409m (2024 prices, 2025 pv year), however the Department expects the non-monetised benefits will outweigh this. The IA should include more detail and evidence to support the statements made about the expected benefits, efficiencies, impact on growth and operation of a vertically integrated system. The Department also should have considered the scale of the admin costs necessary to both unravel the current contract structure that spans the rail industry and consolidate it into a new system.

The Department anticipates an uncertain impact on businesses, dependant on the nature of the future GBR design. As so few impacts have been monetised, an Equivalent Annual Net Direct Cost to Business (EANDCB) has not been provided. The Department has monetised small familiarisation and admin costs, providing a range of £0.5m to £2.6m (2024 prices, 2025 pv year). The key business impacts are expected to be greater business confidence from supply-chain certainty, lower bidding costs for contracts and improved productivity for businesses that rely on the railways. The Department does not anticipate an increase in administrative burdens on businesses, with a reduction expected in the long-run. The IA includes a brief assessment of household impacts, with few significant impacts expected. The key impact on households identified by the Department is an improved service for passengers, with disruptions during the transition not expected. The Department could comment in more detail the likelihood of transition impacts, and the strength of the mitigations put in place.

The Department does not assess the distributional effects of the scheme, arguing that it does not expect any significant or adverse impacts. Given the variation of rail coverage and access between different regions and between rural and urban areas in Great Britain, the Department should have considered the regional impacts of the scheme, including if the benefits may be more concentrated in certain areas.

Part B

The assessment considers the potential impact on the business environment for the proposed intervention, describing how it will boost investment and innovation through increased accountability and supply chain certainty. The IA should consider the impact of procurement changes for manufacturers, such as the potential for the increased standardisation of rolling stock to limit innovation for manufacturers if GBR leans towards a single supplier model. The IA also comments upon the possible negative competition impacts of GBR's likely significant market share, however should significantly increase its consideration of competition impacts. The scorecard does not give sufficient consideration to how GBR will mitigate the competition risks of it being decision maker on access and charging decisions. The IA also does not provide enough consideration of the impact of the changed role for the ORR in access appeals may have on legal certainty, and then investment and overall effect on the market for non-GBR users. The IA could discuss the potential for the new access system to expose non-GBR operators to the fixed costs of operating the network given at the moment they typically will only pay the directly incurred costs of their services operating. This could increase their costs and potentially make their services unviable.

The scorecard also includes a summary of the international considerations of the policy, with the possibility of the reforms providing new private financing opportunities in UK railways. The assessment could have considered the possible negative impact of ending franchises held by foreign entities on international attitude to investment in UK rail. The assessment briefly summarises the environmental impact, with some positive impacts expected, due to a more efficient railway promoting a modal shift from more polluting transport modes. This could have been expended to include consideration of the impact of targets imposed on GBR, and whether manufacturers will be incentivised to invest in low carbon solutions, for example.

Monitoring and evaluation

The assessment includes a good plan for monitoring and evaluation, committing to an evaluation of the whole rail reform programme, which includes the Passenger Railways Services (Public Ownership) Act in addition to the proposed Railways Bill. The Department has outlined how it plans on used existing datasets to evaluate the policy, for areas such as demand and revenue, and survey data for monitoring customer experience. The Department has not yet fully developed its evaluation strategy, with a scoping study currently in progress. The M&E plan would benefit from the inclusion of some indicative timelines for when the Department intends to complete different stages of its evaluation.

The IA also outlines the metrics it intends to use to review the progress in the sector, using a table to set out the key anticipated benefits and potential metrics used to assess the progress of each one. The assessment does explain that focussing on benefits allows the evaluation to easily link to the initial objectives, however the plan would benefit from considering how the potential costs of the scheme will also be evaluated. The plan would also benefit from including a set of potential evaluation

questions, as well as a discussion of potential unintended consequences and the effect of external factors.

Regulatory Policy Committee

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