



Second Regulatory Statement in respect of the HS1 network

Purpose

1. This statement has been requested by HS1 Limited and sets out our approach to carrying out our functions under the HS1 leases of land for the permanent way and stations of the railway known as High Speed 1 (“the Stations Leases”).

Regulatory framework

2. This statement outlines our functions under:

- the Railways (Access, Management and Licensing of Railway Undertakings) Regulations 2016 (the “regulations”);
- the Concession Agreement between HS1 Ltd and the Secretary of State for Transport; and
- the Stations Leases between HS1 Ltd and the Secretary of State for Transport.

3. This statement is supplemental to, and should be read together with, the regulatory statement issued by ORR in relation to regulation of HS1 on 30 October 2009. It reflects the changes made to the Concession Agreement and Stations Leases appointing ORR to be responsible for specific functions, responsibilities, rights and obligations in relation to the HS1 stations as are indicated in the relevant Stations Leases. As with the 2009 regulatory statement, we recognise that this statement may be relied upon by HS1 Ltd and other stakeholders.

4. This statement sets out our current intentions as to our approach to the regulation of HS1’s stations. Should we intend to change our approach from what is set out here we would consult as appropriate with those affected, consider fully any representations made and provide reasons for the change. This statement cannot fetter our discretion in relation to the future exercise of our functions: any individual decision, for example in relation to an appeal under the regulations, will be made in the light of all the relevant facts and circumstances at the time and our duties under the regulations (including, by virtue of regulation 31(1) of the regulations, under section 4 of the Railways Act 1993)

5. In regulating HS1 stations, we expect to have regard to the different characteristics and economics of High Speed 1 and the differences in HS1 Ltd's business model to that of Network Rail, where relevant.

Stations Life Cycle Purposes

6. A key obligation in the Stations Leases is that HS1 Ltd acts in accordance with good industry practice and undertakes such works of renewals and replacement which, in its reasonable opinion, are necessary in order for each station to satisfy the Life Cycle Purpose at the end of the Life Cycle Period, that is, on 1 April 2061.

7. We expect to take a proportionate and timely approach to monitoring and enforcement against this duty consistent with our approach for the national network, and recognising the processes set out in the Stations Leases.

Periodic review

8. The key function established by the Stations Leases is the undertaking of a periodic review of funding for renewals at HS1 stations, including setting the long-term charge for operators.

9. The process for the periodic review of renewals funding for HS1 stations is set out in Schedule 10 of the Stations Leases, and provides for adequate funding to ensure good and substantial repair and condition of the asset until 1 April 2061. At each periodic review, we would therefore assess HS1 Ltd's Life Cycle Report for each station to ensure that the level of long-term charge is set so that it is able to meet this requirement.

10. Before each periodic review for HS1 is commenced, we would expect to consult on the detailed process to be followed for the review.

11. Operations and maintenance charges (also known as qualifying expenditure) are not within scope of the periodic review process set out in the HS1 Stations Leases.

Long-term charge

12. HS1 Ltd is required to submit to us a Life Cycle Report for each station no later than 13 months prior to the end of each control period.

13. We would expect each Life Cycle Report to clearly set out the Life Cycle Works Saving, and Deferred Life Cycle Works Saving from the previous control period. This should enable us to identify reductions in the long-term charge for future control periods (equivalent to 70% of Life Cycle Works Saving achieved by HS1 Ltd).

14. When setting the long-term charge, we will also consider whether HS1 Ltd's Asset Management Strategy and Life Cycle Reports enable it to meet the Life Cycle Purpose for each station.

15. The assessment of the level of the long-term charge, set out in the HS1 Stations Leases, only takes into account HS1 Ltd's income from train operators. It does not reflect income from the provision of retail space or car parking facilities.

16. The arrangements for amending the long-term charge following a periodic review (or an interim review) are set out in the HS1 Station Access Conditions which form part of each station access agreement between HS1 Ltd and the applicable train operator. ORR does not approve station access agreements in respect of HS1 stations (or amendments to such agreements).

17. HS1 Ltd has certain contracts in place with Network Rail (High Speed) Ltd (NR(HS)) and Mitie, which pre-date our regulatory role in relation to HS1 stations. In carrying out our role under the Stations Leases, we expect to have regard to the terms of the agreements between HS1 Ltd and its contractors. However, in carrying out our functions, we will ensure that HS1 Ltd sufficiently and robustly challenges the figures put forward by its contractors as part of meeting the Life Cycle Purpose.

Interim Review

18. The Stations Leases make provision for HS1 Ltd to initiate an Interim Review if there has been an "Adverse Change" between periodic reviews. An Adverse Change may be one resulting in insufficient funding for Life Cycle Works required in the current control period; or a change of law or circumstances that mean that the carrying out of planned Life Cycle Works in the current control period would not allow HS1 Ltd to comply with its obligations under the Stations Leases.