

Media briefing on fares review, rail command paper and rail devolution consultation

The Government is to imminently publish three papers setting out policies towards rail. These are:

- A review of rail fares for public consultation
- A command paper, setting out the Government's rail policy and its response to the recommendations in the McNulty report on reducing the costs of the railway
- A consultation paper on devolving powers over some of the network to local authorities, or consortia of local authorities

The first of these is the one of most concern to the public but the other two papers will also have implications for passengers, for instance staffing at stations or new community approaches to improving services on branch lines. This briefing sets out what is likely to be covered and Campaign for Better Transport's view on the likely proposals. The quotes in italics are the views of Campaign for Better Transport and can be attributed in print to its chief executive Stephen Joseph.

Fares review

Campaign for Better Transport has been calling for a full review of the fares structure since we launched our Fair Fares Now campaign in January 2011. This is an opportunity to look at how the fares system can be made less confusing for passengers and provide products that are more useful for many kinds of travellers. However, the Department for Transport will be restricted in what they say by a refusal to look at the overall level of fares and a desire to avoid changes which could lead to less revenue from passengers or a cost in implementation which central government would have to pick up (i.e. any proposal should be revenue neutral).

There is also a tension between the Department for Transport's desire to hand train companies more freedom and flexibility in future franchises and the ability of the Department for Transport to see some of the ideas discussed in the review through to implementation.

Key areas for consultation

It is likely that the fares review will consult on **raising the price of the busiest trains**. This could include introducing a new higher "peak peak period" in the rush hour, balanced by some reductions in prices on less busy services. This follows the McNulty recommendation that the fares system should better manage peak demand.

For commuters, this could mean that they will face the already announced fares increase at RPI+3% (plus the 5 per cent flex that train companies can add on top on some routes) and then an additional hike for busier routes. Many commuters have to travel at the busiest times to get work at 8.30 to 9.30 because of the nature of their job or of other commitments like childcare or school times. Research commissioned for the McNulty study suggests that such fare increases will only have a marginal impact on people's travel behaviour.

Campaign for Better Transport says: "If people could change their commute times easily, they would have done so by now to avoid having to stand on crowded trains."

Raising the price of tickets by RPI+3% +5%flex +X% for the busiest trains will simply create political opposition, price people on lower incomes off trains and make little difference to overcrowding.”

The Department for Transport is also considering introducing a new higher “shoulder peak” period to avoid big changes in price when the peak comes to an end on some services, particularly longer-distance services. This can lead to overcrowding on the first off-peak service after the peak period – the example often given is the 19.03 from London’s Euston station on a Friday night.

However, peak times already vary across different services and adding to the confusion further could lead to more cynicism from passengers about the way the fares system works. There is a danger in setting overall policy to solve the problems on some particular services, rather than setting policy to meet general policy aims.

The fares review will discuss the potential of **smart cards**. The Department for Transport is looking for train companies to roll-out smart cards using the ITSO standard. Some money has already been announced for ITSO technology roll-out on Southern trains but the Department for Transport has also vetoed extending Oyster Pay As You Go to some stations in Hertfordshire.

The effect of extending Oyster to National Rail in London has directly led to an increase in patronage of 5.5 per cent, generating an additional £50m in revenue.¹ However, to deliver for passengers, there needs to be:

- Products that are simple and clear to underpin the technology
- Fare levels that are transparent and understandable (e.g. based on zones so passengers know what they will pay, rather than complex fares which could hide actual costs from passengers)
- Co-ordination between train companies, bus operators and local transport authorities to ensure that products can be used across different forms of transport like rail, bus and tram

Smart cards could help **part-time workers**, either through an e-purse which can be loaded up and which would charge a lower rate compared to the normal rate (basically an electronic version of carnet tickets) or a more complex season ticket product which would specify which days travel would be covered, or how many days in a week. The Department for Transport could be unwilling to push for these products if there is a cost to train companies which would have to be met by the Government.

Even without smart cards, there is still much more that could be done to promote part-time season tickets. Carnet tickets (where, for instance, 12 tickets can be pre-bought for the price of ten) is one option that can work for part-time workers. However, research carried out by Campaign for Better Transport found few carnet schemes currently available nationwide and that of the 50 busiest commuter stations in the South East outside London, only four rail companies run schemes which are valid on commuter services. Another option is a part-time season ticket with the customer specifying which days the ticket would be bought for. Our research found only one example of such a scheme (in Devon and Cornwall).

If a three-day-week season ticket were available at 60 per cent of the cost of a full season ticket and a four-day one at 80 per cent, a part-time worker travelling into London from the South East would save on average between £700 and £1,400 a year (<http://www.bettertransport.org.uk/media/08-feb-part-time-season-tickets>).

Campaign for Better Transport says: “Simply getting to work and back must be affordable and the lack of tailored part-time commuter tickets is creating a real barrier for workers. As the majority of part-time workers are women in low paid positions, this is a problem that is affecting those least able to afford it.”

¹ Transport for London, Rail and Underground Panel, Oyster on National Rail Progress Update, January 2011 <http://www.tfl.gov.uk/assets/downloads/corporate/Item08-Oyster-NR.pdf>

A third area for the review is looking at **advance fares versus off-peak/saver fares**. The McNulty review suggested reducing regulation for walk-on fares, compared to the unregulated advance fares which have to be used on particular services. Research from Passenger Focus shows that passengers (and potential passengers) want some flexibility about their journeys, something fixed advance fares do not give. For instance, the most given reason among car drivers for not using the West Coast Main Line was that they didn't wish to be tied to particular times.² Other research suggests that this is also an obstacle to many potential business users of the railway.

Campaign for Better Transport says: "The Government is investing significant sums in the railway so that it can support the better connections we need for our economy. It makes no sense then to move to a ticketing system that suits the convenience of train operators but doesn't meet the needs of business travellers or encourage people to switch to rail from congested roads."

However, there are some things that could be done to make the advance fare systems simpler. In particular, train companies should allow passengers with an advance ticket who are on the wrong train to pay the difference between their ticket and the price of the new ticket.

A small change to the industry wide Ticketing and Settlement Agreement (TSA) could also allow advance tickets to be bought up to a few minutes before departure from the departing station. This would open up advance fares to more passengers who cannot predict their travel plans days or weeks in advance.

Rail command paper

The rail command paper will set out the Government's rail policy, following a review last year by Sir Roy McNulty on value for money in the rail industry. It is unlikely that this will contain new policy but will be more about demonstrating that the Department for Transport is working to bring down the costs of the rail industry by working with Network Rail, train operating companies and other partners in the rail industry.

Much of this will focus on **changes in Network Rail** as it develops "deep alliances" with train operating companies. McNulty did discuss more radical changes, such as vertical integration with the same body responsible for track and services. But the Department for Transport is very unlikely to press for any radical reform in the way that infrastructure and services are delivered.

However, there are other challenges for the Department for Transport too, such as the way it lets franchises and to clearly define what it actually wants from the railways. Apparently Ministers and civil servants have particularly struggled with defining what the railways are actually for, as part of the rail command paper.

The paper is likely to repeat previous Government commitments to longer and less prescriptive rail franchises. A particular issue for concern for the public will be the implications of this, for example for staffing at stations if the Government focusses on getting costs out of the system, and whether more freedom for train companies within franchises will mean reduced service frequency outside peak times and reductions in hours that ticket offices (and even stations) are open.

Devolving powers over rail

² *Future Priorities for the West Coast Main Line*, Network Rail and Passenger Focus, January 2012

The Government will also be consulting on proposals to hand over powers for rail to local transport authorities, primarily for franchising services. The devolution of the London Overground routes to Transport for London (TfL) and the Merseyrail network have both shown that devolving powers over rail can deliver real benefits.

The **London example** is also significant in that the way train services are contracted is significantly different to the usual franchise model used by the Department for Transport. TfL's contracts are gross-cost, where TfL take the risks over revenue from tickets and set more detailed terms for the services on offer, including station standards and service frequencies. TfL believes that, because they take the risks on revenue, they can avoid train companies charging a high risk premium in franchises (as revenue is largely dependent on factors outside the train operating companies' control). This offers savings that can be used to invest in improvements.

TfL and all the main London Mayoral candidates would like to extend TfL's control over rail to more services, particularly elements of the Southern, Southeastern and Thameslink services. There is some opposition to this from neighbouring county councils and the devolution consultation will give a clue as to the Department for Transport's view on this and how much TfL have been able to win over the Home Counties to their plans.

One other main area where devolution is being considered is the **north of England**, where the Northern Rail and possibly the TransPennine franchises could be devolved to a consortium of local transport authorities (primarily the passenger transport executives of the larger northern conurbations). The complexity of governance involved makes this difficult; many in the northern cities are keen but there is little in-house rail expertise among other local transport authorities in the region and the co-ordination across the north will be a challenge. Within this region, some authorities have more local ambitions; for example Cumbria is interested in having more say over the Cumbrian Coast line from Carnforth to Carlisle via Barrow-in-Furness.

Other areas where there is interest in more devolution include the **West Midlands**, where local authorities are interested in taking more control of the services centred on Birmingham, and the South West branch lines in Devon and Cornwall. The Welsh Government may also want more control over the Wales franchise, as Scotland already has.

It is also unclear how any devolution would fit with new franchises – the current consultation on the Great Western franchise asks for local transport authorities to develop alternative priced proposals which could then be assessed, with the possibility that these services would then be taken out of the franchise at a later date.

Devolving powers over these type of routes could see more local initiatives of the kind that community rail partnerships have developed (see www.acorp.uk.com) which can grow demand on less busy parts of the network, similar to the example of the part-time season ticket mentioned above.

Campaign for Better Transport says: "Devolution was being presented as a potentially radical reorientation in the way that the railways are run but it now seems that it will just cover some of the branch lines that Beeching tried to close, but wasn't able to."

For further information or interviews please contact Alice Ridley, press officer at Campaign for Better Transport, on 020 7566 6483/07984 773 468 or alice.ridley@bettertransport.org.uk