

Fairer rail fares

The rapidly rising cost of rail fares is in danger of putting train travel out of reach for many people, which hurts passengers, the economy and the environment. Savings identified through efforts to bring down the cost of running the railways should be passed on to passengers, and fares must be made simpler, more transparent and more affordable.

Reducing costs

The UK's railway is fragmented and up to 40% less efficient than its European counterparts, making it highly expensive to run.¹ Passengers are paying the price for this inefficiency, and for the Government's decision to increasingly shift the cost of running the railway from the taxpayer to the farepayer.

UK rail fares are the highest in the world,² and some season tickets now cost the equivalent of a fifth of the average UK salary. With the cost of living increasing dramatically in other areas as well, year-on-year fare increases are already forcing many people to make difficult choices between getting to work and other vital expenses, with low-paid workers particularly badly affected.

The situation is set to get much worse following the decision taken in the Spending Review to raise the cap on regulated rail fares from inflation + 1% to inflation + 3% from January 2012. This will lead to regulated fares being 25% higher by the end of this Parliament in 2015, which translates to £1,300 in additional costs for some season tickets. The Government forecasts that, as a result of the change to inflation + 3%, there will be 4% fewer trips by rail than there would otherwise have been.³

Fares cannot keep rising forever. To avoid pricing people off the railway and reversing the trend towards greater rail use, passengers must be protected. Sir Roy McNulty's Rail Value for Money study has identified potential cost savings of up to £1 billion per year from the rail industry.⁴ We urge the Government to take forward these measures before pursuing further fare rises, and to take steps to reduce the high premium that must currently be paid to travel flexibly and at short notice. Affordable fares can also be supported through fuel duty on domestic aviation, and by facilitating more involvement of private investors, local authorities and other third parties in sponsoring and investing in local rail improvements.

Simpler tickets

The ticketing system is complex and appears unfair to passengers. Ticket restrictions are not transparent, resulting in penalties that make rail passengers feel like criminals for genuine mistakes. Lack of information about the cheapest available fares results in passengers assuming that rail travel is more costly than it is. Anomalies in the system mean that some people pay more than others for equivalent journeys. Collectively, this complexity causes confusion and lack of trust in the system, and is a barrier to greater rail use.⁵

Many of these issues can be addressed as franchise contracts come up for renewal. The Government's smart and integrated ticketing strategy, currently in development, also offers an excellent opportunity to simplify the fare structure. Smart ticketing can take full advantage of advances in technology to offer passengers more affordable and straightforward rail fares, and more integrated public transport journeys.

¹ Office of Rail Regulation, *International cost efficiency benchmarking of Network Rail*, September 2010

² UBS, *Prices and Earnings Study*, August 2009

³ Hansard, 10 November 2010, c335W

⁴ Sir Roy McNulty, *Rail Value for Money Review: Interim Submission to Secretary of State*, September 2010

⁵ Passenger Focus, *Fares and Ticketing Study Final Report*, February 2009

Rising rail fares are a political issue

The Government committed to fair pricing for rail travel in the Coalition agreement, but has yet to clarify exactly what it means by this. Passenger anger at rising fares has grown in light of next January's planned increases, particularly in those areas where no investment is planned, where people are effectively being asked to pay a great deal more for the same or a declining level of service.

A recent YouGov poll found that the rail fare increases planned for 2012 were the single most unpopular policy announced in the Spending Review, opposed by eight out of 10 people.⁶ This policy could affect votes at the next election: 74 per cent of regular rail users in the South-East said that they could switch their support away from parties that raised fares at the rate the Government is planning.⁷ The votes of commuters and other regular rail users could be decisive in many key seats in London and the Home Counties.

Fairer fares would strengthen the economy

On average, UK fares are 20% higher than European rail prices, and London commuters pay twice as much for their season tickets as their counterparts in other major European cities.⁸ Easy access to work by public transport, at a time of economic hardship, is essential to the health of the UK economy. Reducing this access through fare increases undermines the Government's objectives of getting people back into jobs. It also runs the risk of pricing people out of the labour market in London and other key cities, and of damaging the UK's competitiveness in a global marketplace.

By contrast, making fares more affordable would increase disposable income, boost the economy and increase tax revenue. Thirty-five percent of employers say rail travel is too expensive,⁹ and reducing this cost would particularly help small businesses which need flexible, affordable tickets.

Fairer fares would help tackle climate change

If past trends in the relative costs of different modes of travel continue, the policy to increase fares by inflation + 3% will increase carbon emissions. This undermines the Department for Transport's objectives to cut road congestion and carbon, and wider commitments to green government. By contrast, a policy of reducing public transport fares in real terms and increasing motoring and aviation taxation could cut carbon emissions by 13%.¹⁰ Rail use helps to tackle climate change, and people should be encouraged to switch to the train rather than penalised with unaffordable fares.

*Although the pressure on public spending presents great challenges, the current wholesale review of rail industry structure and funding presents a rare opportunity to make savings, for the sector as a whole and for passengers. **To prevent the very real danger of pricing people off the railway, please support our call to make fares simpler and more affordable.***

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⁶ YouGov, October 2010, <http://bit.ly/9sUj3W>

⁷ YouGov, October 2010, <http://www.bettertransport.org.uk/media/oct-5-yougov-poll-fare-increases>

⁸ Passenger Focus, *Fares and Ticketing Study Final Report*, February 2009

⁹ Passenger Focus, *Employers' business travel needs from rail*, February 2009

¹⁰ Steer Davies Gleave, *Transport costs and carbon emissions*, December 2008