

How fair are the fares? Train fares and ticketing
Memorandum in response to the Transport Committee's invitation

Introduction

1. RPC welcomes the Transport Committee's investigation into these areas of ticketing and fares as it shares these concerns and has been addressing them for some time. The Committee's activity in these areas is particularly timely from RPC's point of view as the Council is starting to scope a programme of research to inform its views on fares policy in advance of the comprehensive fares review next year. Passenger attitudinal research will look into passengers' preferences on, for example, advance-purchase tickets and their perceptions of fares in general. RPC will be pleased to consider suggestions for specific research questions from the Transport Committee. The Council's assumption of responsibility for the National Passenger Survey from SRA provides a further information source to inform the RPC's views.

2. RPC believes that many rail fares are too high; that the fare structure is too complex and confusing; and that the rail industry needs to exploit fares incentives to attract passengers to travel at times when there is greater capacity.

Complexity and restructuring of fares

3. The current fares structure is a mix of demand-curbing, market pricing and historic pence-per-mile. Some fares are regulated (e.g. most Savers; season tickets; Cheap Day Returns) while others are unregulated (e.g. Standard Open; Apex). Given its complexity, one temptation is to scrap the current fares structure entirely, though the industry could probably not withstand the disruption resulting from such a move. RPC in its response to SRA's 2002 *Future Fares Policy* proposed a less disruptive move: reduce the number of fare types and rationalise them into an immediately recognisable and understandable family hierarchy, with common nomenclature, validity and conditions, across all train operators. Book-ahead fares currently sport a wide range of names, e.g. Apex, SuperAdvance, 3-day Advance, Value Advance, 7-day Advance, Flexi Return, Senior, 2-Some or 4-Sight. Most are exclusive to specific operators; the names and conditions are often unintelligible to passengers. So complex is the fare structure that the current National Fares Manual (№ 91) valid from September 2005, lists over 70 fare types, governed by 760 validity conditions, on 102 A4-sized pages. RPC has issued leaflets advising passengers the questions to ask to ensure that they get the best deal when buying rail tickets.

4. A range of Railcards, offering discounts as now, should also continue. As a result of the research which it commissioned towards its response to SRA's consultation, RPC recommended the introduction of a National Railcard, available to all members of the public. (See para. 24.)

5. Train operators argue that the current positioning of the regulated Saver fare denies them the opportunity of offering a wider range of scaled book-ahead fares. RPC understands the attractiveness of book-ahead Apex-type fares both to the industry and to those price-conscious passengers whose journey times are flexible. However, not all passengers are able to pre-plan journeys. It is thus vital not to lose sight of the need to retain an affordable turn-up-and-go fare (e.g. Saver – and even SuperSaver), avoiding the need to pay the full fare outside peak times.

6. The opportunity should be taken also to end the now unnecessary policy conflict between ticket validity in the London/South East area (where tickets are typically valid for one day only – with the limited exception of a few return types) compared with the rest of country, where return tickets are valid for a month. Combatting fraud was the original for this reduction in validity but

modern automatic ticket barriers and gates at stations have significantly reduced fraudulent travel by collecting previously unpaid income. It is indefensible not to extend the same validity benefits to passengers in the south-east. Enhanced on-train revenue protection would reduce fraud even further.

Book-ahead versus turn-up-and-go tickets

7. The Council recognises the good value which Apex-style fares represent to those passengers who can book in advance but is deeply concerned that book-ahead tickets should not threaten affordable turn-up-and-go fares. However, passengers have often been thwarted in their attempts to buy these cut-price tickets due to the late release of train timings, which operators lay at Network Rail's door. This is all the more unacceptable as train operators' fares policies increasingly direct passengers towards such fares and the validity of the more flexible turn-up-and-go Saver tickets is squeezed into narrower time bands. Late release of book-ahead tickets effectively denies many passengers the opportunity of travelling by train.

8. Concerned at the frequent non-observance of T-12 by train companies, RPC has consistently surveyed the dates on which bookings for quota-controlled tickets open for the last 12 months. In recent weeks, since this latest round of the survey, RPC has taken the matter up direct with ORR. The two organisations will in future work in partnership, drawing on ticket release data from the Association of Train Operating Companies, as RPC investigates availability for journeys at Christmas.

9. RPC continues to seek greater clarity in the size of the quotas available for each type of ticket and the services upon which they are valid. Certainly this information should be shared within the industry. RPC cannot have a properly informed view without this vital additional information. Likewise, enquiring passengers should be able to find out whether allocations are still available on specific trains to enable them to plan their options in a more informed way. One school of thought contends that airline-style booking practice is incompatible with a traditional turn-up-and-go mode, such as the railway. It is indefensible for a train operator to employ airline-style booking policies and then fail to keep its side of the bargain by failing to provide allocations within the advertised timescales.

10. For many long-distance leisure passengers, 'the fare' and the price of the (regulated) Saver are synonymous. Recent years, however, have seen a constant constriction of the times when Savers are valid for many journeys on weekdays. A further refinement is the imposition of restrictions on the return leg of the journey with the result that the value of a Saver fare for a leisure journey travelling out and back the same day is severely undermined. For example:

- ***Preston-London:*** in 1995 not only Savers (first train to London 8.20; return any time) but also SuperSavers (first southbound train 9.20; return any time) were available. In 2000 both fare types and the first outward train times still applied, but the SuperSaver was further barred on three late-afternoon southbound trains; both tickets also had restrictions imposed on early-morning and mid-afternoon to early-evening return departures from London. By 2005 the SuperSaver fare had been withdrawn; the earliest Saver departure southbound is 8.46, with northbound restricted to after 9.15 and not between 15.15 and 18.11; i.e. the earliest arrival in London is 11.25, with return services at 9.45 and hourly to 15.45, then 18.45, 19.45 and 20.45.

As a result, a turn-up-and-go return to London, on a weekday leaving after 9.00 and returning at 15.45, cost £36 in 1995; £52.70 in 2000; and £195 in 2005.

- ***Edinburgh-London:*** in 1995 no restrictions in either direction applied to the Saver; the full return fare served only as a basis on which to calculate other reduced fares. The SuperSaver was valid on the 8.00 southbound and all later trains; no restrictions on the return. By 2000 no restrictions in either direction still applied to Savers. Southbound SuperSaver restrictions had been lifted but new northbound restrictions were applied

between 15.30 and 19.00. By 2005, the first two morning trains from Edinburgh were barred to Savers, as were return journeys before 9.29 or between 14.59 and 18.59; thus the last Saver train to Edinburgh now departs at 14.00 Monday-Thursday, 19.00 on Friday. SuperSavers had been withdrawn.

As a result, a turn-up-and-go return to London leaving on a weekday before 7.00 returning around 16.00 in 1995 cost £59; in 2000, £71; in 2005, £194.

[Note: SuperSavers not valid on Fridays or “peak” Saturdays: e.g. Easter, summer months. Both Savers and SuperSavers are available for break of journey without formality on the return leg.]

11. Many passengers may need to pay much more for the flexibility once taken for granted, or are obliged to conform to the “strings-attached” nature of the Apex – (or perhaps they no longer travel) simply by the repositioning of time restrictions or the withdrawal of a non-regulated fare type. The extent to which unregulated fares have risen is perhaps most starkly illustrated when the Standard Open Return is viewed against the cost of a weekly season ticket and the Saver fare (both regulated) for the same journey. (Page 6 lists these and other sample fares.)

The effect of timetable changes and the withdrawal of ticket types on fares

12. Usage of several ticket types is governed by departure or arrival times. An apparently minor change to timetables, without a corresponding amendment to the conditions of use of some tickets, denies passengers the opportunity to travel by trains previously available to them. While fares have not risen, passengers can find themselves paying more.

13. The withdrawal of a ticket category between two points can increase fares dramatically. We would cite as a recent example Central Trains’ withdrawal of longer-distance Day Return fares. RPC ran a successful campaign to advise passengers to buy tickets for two adjoining segments of the journey (Peterborough - Melton Mowbray + Melton Mowbray - Birmingham) allowing passengers thereby to undercut the through fare by 59% in the peak and by 32% off-peak.

14. The early demise of the non-regulated SuperSaver had been predicted by the RPC’s predecessor whose calls for the fare to be safeguarded were met with counterclaims at ministerial level that no commercially-minded operator would withdraw such a popular fare. Most train companies have since replaced this time-restricted, but still fairly flexible, turn-up-and-go fare with an Apex-type; thus passengers who cannot book in advance have seen either their options reduced or their fares increased.

15. Each train company is “lead operator” and responsible for setting fares on a series of journey flows, often into areas where it operates no trains at all. Its own fare policy can thus affect the price paid by passengers over a much wider area than its own sphere of operation. The decision of erstwhile operator Anglia to withdraw SuperSavers on its flows also affected long-distance through fares, e.g. Norwich - Southampton. Flow sponsorship transfer from Virgin to Central Trains for a number of journeys in the north-west affected passengers’ fares as Virgin’s more relaxed attitude to Railcard use at peak times was not reflected by the new operator. Some passengers’ fares increased as a result.

Comparative costs of rail travel

16. SRA’s policy change of 2004 required passengers to bear a higher proportion of the costs of the new railway. The regulated fares regime switched from RPI-1% to RPI+1%. According to SRA figures¹ at the time this meant that passengers who bought season tickets faced a rise of

¹ SRA Fares Review Conclusions 2003: Table 4

£45 per annum in real terms by January 2006. These increases are in addition to an already high base in RPC's view.

17. International comparisons routinely show British mainstream fares as some of the highest, if not the highest, in Europe. RMT's research earlier this year compared commuter fares for journeys in Britain with those for major cities on the continent: London-area annual Travelcards at £1,580 for a 15-mile radius compare unfavourably with Paris (£950: 20-mile radius), Berlin (£829: 40-mile radius) and Madrid (£510: 40-mile radius).

18. Union Bank of Switzerland's survey suggested that a standard-class ticket for a 120-mile journey in Britain cost almost three times the world average for a comparable journey. With Standard Open Return fares from London to Manchester at £187, to York at £144 and to Cardiff at £110, it is no surprise that ratings recorded by the National Passenger Survey show poor satisfaction over value for money.

Passengers' perception of Value for Money

19. Real-term average increases in ticket price have been published by SRA until recently.² Between January 1995 and 2005 the price of all ticket types has risen by 6.3%. Particular ticket types' real-term price have risen much more than this: standard-class unregulated fares have risen by 10.9% nationally and by 18.2% in the long-distance sector. First-class long-distance fares have risen by 41.5%. However, overall figures belie the fact that certain (popular) routes have seen their prices increase by more than average. e.g. London Manchester.

20. The National Passenger Survey³ indicates that nationally only 41% of passengers are satisfied with the value for money for the price of their ticket. This low figure is driven by the large passenger volume in London and the South East where only 36% are satisfied. Regional passengers are the most satisfied, at 58%. Just under half of long-distance passengers are satisfied (49%). Stated preference research carried out in May 2005⁴ invited rail passengers to prioritise the service aspects that most need to be improved. The '*value for money for the price of your ticket*' was rated as the second most important improvement required from 30 possible service attributes; only *punctuality/reliability* was rated as a bigger priority for improvement. This was the case amongst all passenger groups (business, commuter and leisure) who rated this as the second largest priority to improve.

Getting costs in order

21. Government investment in the railways has increased from £1.8 bn in 1997/8 (*Future of Rail White Paper*) to £3.8 bn in 2004. It is proper for the state to invest in a public service which delivers government objectives such as promoting social inclusion, economic regeneration and reducing greenhouse-gas emissions. That funding, however, is not limitless and the industry must find ways of keeping its costs down.

22. By 2002/3 Network Rail's costs for replacing a section of straight level track had risen some 25% since 1999 according to the company's own analysis⁵. Network Rail is driving down its cost

² *National Rail Trends Yearbook 2004-2005*, SRA, June 2005.

³ Commissioned by RPC and carried out by Continental Research in Spring and Autumn. 25,000 self-completion questionnaires returned each wave.

⁴ *Passenger Expectations and Priorities for Improvement*, commissioned by SRA and carried out by Continental Research. It comprised short interviews at stations on expectations of the journey followed by self-completion of a questionnaire after the journey, sent to Continental Research. In total 2,208 questionnaires were returned.

⁵ SRA *Strategic Plan 2003* (fig. 2), and repeated in the *Future of Rail White Paper*.

base but clearly more must be done. Neither passenger nor taxpayer must bear the cost of industry inefficiency.

23. Train leasing charges in the “second-hand” market are inexplicably high. SRA’s 2003 *Rolling Stock Strategy* recognised inter-ROSCO competition having driven down the price of new stock but was less sure about the effect on existing rolling stock charges. RPC shares this concern. While the Council has no evidence of ROSCOs abusing their market position we highlight the figures cited by the BBC⁶ and question the logic and fairness of, for instance,

- a 20-year-old two-car Pacer unit, costing £350,000 to build, leased for £144,000 p.a.; and
- a two-car diesel Sprinter costing £216,000 p.a. to lease.

24. Maximising revenue has to be a priority:

- *Collect fares already due*: give passengers more and better opportunities to buy tickets and increase revenue protection to ensure that they do so. The introduction of ticket gates has seen revenue increase by up to 20% in places.
- *Increase passenger numbers*: the industry has had great success in this regard, but further and unrelenting effort is necessary. In the late 1990s Crime Concern and Transport & Travel Research showed that off-peak journeys, where there is spare capacity, could be boosted by up to 10% by the introduction of safety and security measures at stations.
- *Partnership funding*: rail needs to ensure that it taps into other sources of funding. The Comprehensive Spending Review has outlined a link between transport and housing budgets and established a new Community Infrastructure Fund of £150m for local infrastructure needs. The SRA’s erstwhile Rail Passenger Partnership fund was effective in bringing parties together; RPC has long argued for the creation of a similar scheme as a catalyst for partnership working.
- *National Railcard*: RPC undertook research⁷ into the potential market for a National Railcard available to anyone. The results forecast that a product, priced £30 for 50% reduction on off-peak fares, could encourage additional off-peak travel and generate some £70m incremental profit. It could also:
 - be an effective tool for smoothing demand over different times of day and reduce crowding in the peak;
 - reduce fuel consumption, noise pollution, road congestion and accidents;
 - promote social inclusion as train fares would be more affordable;
 - substitute a series of competing off-peak tickets, simplifying the current complexities of rail travel discounts.

SRA expressed interest in developing such a product and committed to explore options. We are disappointed not to have had sight of developments in this area.

RPC’s next steps

25. RPC has identified Fares as one of its priority work streams for its current operational plan. Starting with a consolidation of existing research and known factors affecting fares policy and passengers’ attitudes, RPC will conduct a gap analysis to identify areas which would benefit from further research to ensure that RPC policy authoritatively represents the consumer perspective. Further research will be scoped and commissioned to be conducted in the New Year. RPC will happily take forward issues raised in the course of the Committee’s inquiry as part of that research programme.

⁶ *File on Four: Rail Scandal* (27.01.2004)

⁷ *Future Fares Policy – RPC Response to SRA Consultation*, October 2002

Fares Comparison 1995-2005

Source: National Fares manuals

| Location / Mileage to London | Fare to London | Jan-95 £ | Jan-00 £ | Jan-05 £ | Change * 95-05 (or 00-05) £ | Change * 95-05 (or 00-05) % | Cost per mile 1995 £ | Cost per mile 2005 £ |
|------------------------------|----------------------|-------------|-------------|-------------|--------------------------------------|--------------------------------------|-------------------------------|-------------------------------|
| Norwich 115 | Standard open return | 55.00 | 61.00 | 64.00 | 9.00 | 16.36 | 0.48 | 0.56 |
| | Saver | 27.00 | 30.20 | 35.00 | 8.00 | 29.63 | 0.23 | 0.30 |
| | Super Advance | 21.00 | 23.00 | 20.00 | -1.00 | -4.76 | 0.18 | 0.17 |
| | Weekly | 110.00 | 110.00 | 130.00 | 20.00 | 18.18 | 0.96 | 1.13 |
| Derby 128 | Standard open return | 59.00 | 68.00 | 94.00 | 35.00 | 59.32 | 0.46 | 0.73 |
| | Saver | 36.00 | 41.00 | 44.00 | 8.00 | 22.22 | 0.28 | 0.34 |
| | SuperSaver | 27.00 | 33.00 | withdrawn | n/a | n/a | 0.21 | n/a |
| | Apex | 19.50 | 23.00 | 28.00 | 8.50 | 43.59 | 0.15 | 0.22 |
| | Weekly | - | 180.60 | 192.30 | 11.70 | 6.48 | n/a | 1.50 |
| Leicester 99 | Standard open return | 47.00 | 56.00 | 76.00 | 29.00 | 61.70 | 0.47 | 0.77 |
| | Saver | 30.00 | 34.50 | 38.50 | 8.50 | 28.33 | 0.30 | 0.39 |
| | SuperSaver | 22.00 | 29.00 | withdrawn | n/a | n/a | 0.22 | n/a |
| | Apex | 16.50 | 20.00 | 25.00 | 8.50 | 51.52 | 0.17 | 0.25 |
| | Weekly | - | 155.00 | 167.00 | 12.00 | 7.74 | n/a | 1.69 |
| Peterborough 76 | Standard open return | 38.00 | 44.00 | 54.00 | 16.00 | 42.11 | 0.50 | 0.71 |
| | Saver | 24.00 | 27.00 | 31.00 | 7.00 | 29.17 | 0.32 | 0.41 |
| | SuperSaver | 20.00 | withdrawn | withdrawn | n/a | n/a | 0.26 | n/a |
| | Weekly | 97.40 | 109.40 | 122.50 | 25.1 | 25.77 | 1.28 | 1.61 |
| Edinburgh 393 | Standard open return | 126.00 | 172.00 | 194.00 | 68.00 | 53.97 | 0.32 | 0.49 |
| | Saver | 69.00 | 79.00 | 90.60 | 21.60 | 31.30 | 0.18 | 0.23 |
| | SuperSaver | 59.00 | 71.00 | withdrawn | n/a | n/a | 0.15 | n/a |
| | Apex | 44.00 | 49.00 | 57.00 | 13.00 | 29.55 | 0.11 | 0.15 |
| Cardiff 145 | Standard open return | 70.00 | 87.00 | 110.00 | 40.00 | 57.14 | 0.48 | 0.76 |
| | Saver | 40.00 | 45.60 | 50.80 | 10.80 | 27.00 | 0.28 | 0.35 |
| | SuperSaver | 31.00 | 37.00 | 43.00 | 12.00 | 38.71 | 0.21 | 0.30 |
| | Apex | 24.00 | 23.00 | 24.00 | 0 | 0.00 | 0.17 | 0.17 |
| | Weekly | - | 182.4 | 205.3 | 22.9 | 12.55 | n/a | 1.42 |
| Plymouth 226 | Standard open return | 96.00 | 120.00 | 164.00 | 68.00 | 70.83 | 0.42 | 0.73 |
| | Saver | 50.00 | 56.90 | 63.60 | 13.60 | 27.20 | 0.22 | 0.28 |
| | SuperSaver | 39.00 | 45.00 | 52.00 | 13.00 | 33.33 | 0.17 | 0.23 |
| | Apex | 28.00 | 27.50 | 30.50 | 2.50 | 8.93 | 0.12 | 0.13 |
| | Weekly | - | 277.80 | 311.00 | 33.20 | 11.95 | n/a | 1.38 |
| Birmingham 115 | Standard open return | 52.60 | 80.00 | 100.00 | 47.40 | 90.11 | 0.46 | 0.87 |
| | Saver | 37.10 | 29.70 | 34.90 | -2.20 | -5.93 | 0.32 | 0.30 |
| | SuperSaver | 27.80 | withdrawn | withdrawn | n/a | n/a | 0.24 | n/a |
| Preston 209 | Standard open return | 96.00 | 155.00 | 195.00 | 99.00 | 103.13 | 0.46 | 0.93 |
| | Saver | 47.00 | 52.70 | 58.00 | 11.00 | 23.40 | 0.22 | 0.28 |
| | SuperSaver | 36.00 | 47.00 | withdrawn | n/a | n/a | 0.17 | n/a |
| Southampton 79 | Standard Day return | 37.10 | 41.40 | 46.50 | 9.40 | 25.34 | 0.47 | 0.59 |
| | Cheap Day return | 16.90 | 20.40 | 24.60 | 7.70 | 45.56 | 0.21 | 0.31 |
| | Weekly | 76.60 | 82.40 | 90.20 | 13.60 | 17.75 | 0.97 | 1.14 |

* If 1995 data not available, comparisons have been made using 2000 and 2005 data)