



House of Commons
Transport Committee

How fair are the fares? Train fares and ticketing

Sixth Report of Session 2005–06

Volume I



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Report, together with formal minutes

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The Transport Committee

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Summary

Getting fares policy right is vital for passengers and for the Government's stated aim of 'growing' the railways. But its importance goes further. The railways are a public service, partly funded by the taxpayer. Consequently, they should be run in a manner which supports rather than undermines broader public policy objectives, and which benefits any taxpayer who wishes to use rail services. Fares and ticketing policy has a direct impact on whether, when and how people travel on the railway. This in turn has important implications for wider transport strategy, environmental policy, and regional development. A misconceived ticketing policy has the power to hinder the achievement of policy objectives far beyond the railways themselves.

The way in which rail fares are currently managed does not serve the best interests of passengers and it does not provide value for money for passengers or tax payers. We uncovered a range of problems – for example:

- The structure of fares is deeply fragmented and highly complex. Names, conditions and restrictions often vary subtly between different train operating companies.
- Flexible walk-on rail travel does not suit train operators who have sought to impose hefty premiums or cumbersome restrictions on such fares. Excessive price increases have put Standard Open fares well beyond what is affordable for most people. Furthermore, many operators are imposing new and ever narrower restrictions on Saver fares. As a result, the ability of many people to travel by train has been severely curtailed because walk-on travel is the only option suitable for their needs, and they are priced out of that market.
- Train operators have introduced modern reservation systems based on the model used by 'no-frills' airlines in an attempt to maximise the revenue for every seat on every train. To help them attract passengers on to less popular departures, advance-purchase fares have become widespread. Such fares may provide some passengers with good value for money. But many others are denied the bargains because they are unable to travel off-peak, or do not wish to book their tickets weeks or months in advance.
- The value for money of rail travel has deteriorated by most yardsticks over the past decade. Passengers are consistently dissatisfied with what they perceive to be the value for money of their fares.

Train operators and the Government have done little to alleviate these problems, citing simply the fact that the number of people travelling by train is at record levels. This does not mean, however, that passengers are content. In the short term, many passengers have little choice but to accept the situation. But in the longer term, fares levels and complexity may influence them to make different choices about where to live and work, where to locate their business operations, and whether and how to commute or travel for business.

Train operating companies have exploited the complacency of the Government. The industry has demonstrated beyond doubt that it can neither be relied upon to produce a

simple, coherent and passenger-friendly structure of fares, nor is it capable of maintaining reasonable ticket prices. Prices for Open fares are now exorbitant. Although Advance Purchase fares are good value for some passengers, many others are punished for their need to have flexible travel arrangements. Saver fares might have been a saving grace, but train operators have sought to curtail their use. This is not good enough. We fear that the single-minded pursuit of revenue and profit by train operators will have serious long-term consequences for the railways.

The privatised industry has had more than a decade to get fares and ticketing right, and it has proven incapable of doing so. Passengers are being held to ransom by a system that is deeply flawed. Neither passengers nor tax payers are getting value for their money. The situation is simply unacceptable, and the Government must now pick up the pieces and set about creating a coherent policy for the railways which also incorporates better regulation of fares and conditions of travel. The system of fares, conditions, and restrictions must be simplified, unified, and made easy for passengers to understand. Ticket names, conditions and restrictions should not vary from one operator to another but should be consistent across the network.

The Government must also strengthen the regulation of prices, and the regulatory framework more generally so that both Network Rail and train operators can be held to account.

The Government must ensure that the needs of passengers are put firmly before revenue for train operators. The Government is pouring millions of tax payers' money into the railway. This is well and good, but the corollary is that the tax payer should benefit. The Government must recognise that train operators are semi-monopolistic operators driven primarily by the objective to maximise revenue. Therefore, the only way to ensure that all passengers receive a user-friendly service that is value for money is by increasing the regulation of the fares structure as well as pricing. We need strong vision and leadership for the railways, and only the Government can provide it.

The Government needs to look again at whether the regulatory framework could be simplified to create greater clarity for passengers. It must also review the powers of the Office of Rail Regulation in areas such as excessive fares to ensure these are adequate. The Regulator itself needs to reconsider its consensus-seeking approach to the industry. The time has come for the ORR to graduate into a tough and 'grown-up' regulator.

1 Introduction

1. Our inquiry into rail fares arose out of three concerns. Firstly, evidence appeared to indicate that ticket prices in the UK are very high as compared not only to other countries but also as compared to other transport modes here.

2. Secondly, we were concerned about the level of complexity of ticket types and prices. Anecdotal evidence and press reports had suggested that a myriad of ticket names linked to an even greater array of conditions and restrictions is causing great problems for passengers.

3. Thirdly, a chaotic situation had arisen on the railways in the run-up to Christmas 2004, when Network Rail made timetables available much later than their contractual obligation. This resulted in passengers being unable to purchase cheap advance purchase tickets, and we were extremely concerned that similar experiences might be repeated at times of peak demand such as Christmas and other Bank Holidays.

4. Based on these three key concerns, we invited stakeholders to submit evidence on the following four points:

- The comparative cost of rail travel to passengers in the UK.
- The justification for the current fare and ticketing structure, and the case for reform.
- The availability of cheaper, advance purchase rail tickets.
- The way in which Network Rail's determination of the timetable can affect the cost of rail travel.

5. In the course of this inquiry, we received memoranda from 28 organisations and individuals¹, and took oral evidence from; the National Union of Rail, the Maritime and Transport Workers Union (RMT), Transport 2000, London TravelWatch, Passenger Focus (formerly known as the Rail Passengers Council), the East Midlands Passenger Transport Users Forum (EMPTUF), the Office of Rail Regulation (ORR), Network Rail, the Association of Train Operating Companies (ATOC), Virgin Trains, GNER, and the Parliamentary Under Secretary of State at the Department for Transport, Derek Twigg MP. We are grateful to our specialist advisor on this inquiry, Professor John Preston, of the Transportation Research Group at Southampton University²

1 A number of these made supplementary submissions in the course of the inquiry.

2 Until 31 December 2005, John Preston was Reader in Transport Studies and Director of the Transport Studies Unit, University of Oxford.

2 Rail fares in the bigger picture

The strategic significance of the railways

6. The railways are a key element of our national infrastructure, and the use and management of the railways impacts significantly on a wide range of public policies such as regional development, long-term economic growth and environmental policy.³ It is also a sector where structural constraints limit competition. Rail travel cannot, therefore, be considered only as a consumer product which is subject to the principles of competitive supply and demand. The structure and levels of fares determine how the railways are used, and by whom, and this in turn is of crucial strategic importance to overall transport policy and regional development.

7. In addition to its importance to key policies, the railways are expected to receive public subsidies to the tune of £3.7 billion in the financial year 2005/06⁴, and it is surely therefore justified to expect that railways assist in achieving the Government's broad strategic policy objectives for the environment, regional development as well as transport. The level of public subsidies entitles us to demand that the railways are run as a public service rather than as a *private commodity*.

The significance of rail fares for the wider economy

8. The price and reliability of rail travel is likely to affect the long and medium-term choices of individuals about where they live and work, and of companies about where they locate their businesses. Cumulatively, such decisions are likely to affect regional development and property prices, and so there is a macro-economic dimension to the pricing of an important transport mode such as rail travel. In the short term, many passengers, particularly commuters and business travellers, may have little choice but to use the railways, almost regardless of affordability. This may at least in part account for the increase in the numbers of passengers in recent years. However, in the longer term, unaffordable fares could lead passengers to opt for other transport modes or relocation.⁵

9. If rail were an open competitive market, easily accessible to new entrants providing competition on individual routes, the potential strategic impact of price levels would have been less important. In that scenario, if prices were too high, new companies would be tempted on to the line and undercut the inflated price. This is what tends to happen in the coach and airline industries. But in the rail industry, most routes are operated as virtual monopolies. As a result, prices can be held in check only by regulatory intervention.

3 The Secretary of State for Transport, the Rt Hon Alistair Darling MP acknowledged the strategic importance of the railways in securing long-term economic growth, productivity, regional development as well as environmental objectives in his speech to the National Rail Conference 2006, delivered on 15 March 2006. See para 29 onwards.

4 Department for Transport: Annual Report 2005, figure 4d. Figure represents the overall figure for Government expenditure on the Railways in the financial year 2005-06. The figure includes infrastructure investment and maintenance, expenditure on freight as well as passenger rail, and international services. This figure is the projected figure that the Department has budgeted for. The actual turnout figure may vary slightly from this. The projected figure for 2006-07 rises steeply to £4.9 billion, largely due to increased payments to Network Rail.

5 This is discussed in greater detail in Chapter 4.

10. The affordability and attractiveness of rail travel is likely to affect the ability of Government to achieve broader economic and regional development goals. It is therefore imperative that the railways are managed and priced in such a way that they help and facilitate economic and regional development. Given that the railways are now run as private semi-monopoly enterprises, the Government needs to regulate actively to ensure that fares policy works *with* the grain of broader Government policy and not against it.

The environmental significance of the railways

11. The Government has set targets for the reduction of air pollution, CO₂ emissions and road congestion. The 2004 White Paper on the Future for Transport acknowledged that transport produces about a quarter of UK CO₂ and that “some 80 per cent of transport CO₂ emissions come from road vehicles.”⁶ The White Paper reiterated the Government’s commitment to cutting overall CO₂ emissions by 60 per cent by 2050.⁷

12. The RMT pointed out that a modal shift towards the railways would be essential to achieving such environmental goals,⁸ and the Parliamentary Under-Secretary of State for Transport, Derek Twigg MP, told the Committee that the Government is indeed committed to a modal shift and growth on the railways.⁹ Such a modal shift will depend both on there being sufficient capacity on the railways, and on the pricing and general attractiveness to passengers of rail travel.

13. **If the Government is to entertain any hope of achieving its targets on emissions and congestion, it is essential for it to encourage a significant shift from road to rail. Rail travel must be made affordable and user-friendly in order to encourage people to reject cars in favour of rail. Ticketing policy is crucial in achieving this public policy goal.**

Public subsidy creates a public service obligation

14. Public expenditure on the railways is currently £3.7 billion per year, and is projected to rise steeply to £4.9 billion in 2006-07.¹⁰ Public subsidy, especially of this magnitude, entitles the public to expect that the railways are run as a public service. **The railways are a public service in receipt of substantial Government subsidies. In the spirit of a public service, the railways should be affordable and accessible to all, for walk-on, same-day or advance purchase travel. To achieve this, the Government needs to police the train operators much more rigorously than it has done to date.**

6 Department for Transport: *The Future of Transport: A Network for 2030*, CM6234, July 2004; para 1.13

7 Department for Transport: *The Future of Transport: A Network for 2030*, CM6234, July 2004; para 1.12

8 Ev 01

9 Q279 Derek Twigg MP, Parliamentary Under-Secretary of State for Transport.

10 Department for Transport: Annual Report 2005, figure 4d. The figure represents the overall total for Government expenditure on the Railways which includes infrastructure investment and maintenance, expenditure on freight as well as passenger rail, and international services.

The level of public subsidies for the railways

15. Evidence to our inquiry questioned whether the level of Government subsidy to the railways is appropriate, and what consequences this in itself might have for rail fares. The Railway Consultancy put the *level* of subsidy as well as the public service function of the railways in context:

“Although British Government support to the railways ballooned a couple of years ago, [...] it has historically been at a much lower level [than in other European countries]. That is a political decision, taken in a country which has generally adopted the view that users (rather than taxpayers) should pay for public services. That logic is questionable if (as with the railways) those services indirectly benefit the entire community, and where the railways have been prevented from taking advantage of indirect benefits (e.g. British Rail was forced to divest itself of property-related income).”¹¹

16. The Government however, considers that controlling the level of the public subsidy for the railways is crucial,¹² and indicates no intention of bringing rail subsidies more closely into line with those found in many neighbouring European countries.¹³ Neither do we have any indication that exorbitant rises in ticket prices might pressure the Government to step in to increase subsidy.¹⁴ The Minister argued that the current price of rail fares is not dissuading passengers from using the railways, and he maintained that the “only way of doing something about the fares is to put more Government subsidy in.”¹⁵

17. We accept that an increase in subsidies is not in itself the solution to the problem of unreasonable rail fares. We appreciate that the railways have to compete with many other vital services such as schools and hospitals for Government funds and we do not argue for French levels of railway subsidy. We do, however, believe that the dogged pursuit of a policy to minimise public subsidy risks the long-term viability of rail services and undermines the proper public service function of the railways. We need a balanced approach to rail subsidy which allows investment where relatively small sums can produce significant results. This should be accompanied by strong controls ensuring that the Government gets good value for its money. There must be no waste.

Objectives of ticketing policy

18. Two train operating companies in the long distance market, GNER and Virgin Trains, indicated clearly to the Committee that their main objective when running trains is to maximise revenue.¹⁶ Operating on long-distance routes, their primary competition comes

11 Ev 145

12 Q272 and Derek Twigg MP, Parliamentary Under-Secretary of State for Transport.

13 In a study undertaken for the European Commission, NERA Economic Consulting calculated figures for the levels of public budget contributions to the railways in 2001 and 2003. The figures are calculated in Euro (on the basis of 2001 PPP exchange rates), and for example in 2001 the public budget contributions in France and the UK respectively were Eur 7.5bn Eur 1.9 bn. This differential had narrowed somewhat by 2003 (the latest year available) when the figure for France was Eur 8.4bn as compared to Eur 5.6bn in the UK SOURCE: NERA Economic Consulting (April 2005) [Public Budget Contributions to the Railways](#).

14 The Guardian (quoting BBC Radio), *New round of rail fare increases angers passengers*, 3 January 2006.

15 Q287 and Derek Twigg MP, Parliamentary Under-Secretary of State for Transport.

16 Q243 Mr Garnett, GNER and Mr Collins, Virgin Trains

from coach companies on the one hand, and the airlines on the other. At the lower end of the fares range, prices are set so as to compete with the coach market, whilst at the higher end of the spectrum the aim is to compete with airlines.¹⁷ Both of these types of competitors are private and free of price regulation. Virgin Trains explained how the nature and level of competition on individual routes informs a ruthless calculation of revenue maximisation for open fares:

“On shorter routes such as Manchester-London [...] rail maximises its revenue by charging a relatively high rate-per-mile (although we are still significantly cheaper than the airlines), whereas on longer routes such as Glasgow the rate-per-mile needs to be low to compensate for the fact that air clearly wins on journey time. If we charged the Glasgow rate on the Manchester route, we would fail to achieve the revenue potential of the route whilst causing overcrowding; if we charged the Manchester rate on the Glasgow route, we would lose a lot of custom to air.”¹⁸

19. The relative price of long-distance rail travel varies with the nature and level of competition from other modes on the route in question. In markets for commodities that do not receive massive subsidies from the tax-payer, for example cars, this is appropriate, but in a sector which *does* receive such subsidies it is not. Passengers who travel on routes such as London-Manchester where operators perceive that they can increase fares, are also tax-payers, and they will expect to see a fair system of fares which provides value for money in just the same way as passengers / tax-payers travelling on the Glasgow-London route.

20. Passengers who use routes where there is little or no competition from coaches or airlines, or who are obliged to travel in peak hours or at short notice are out of pocket. If the primary objective of ticketing policy is to maximise revenue, the railways fails in its objective of functioning as a public service benefiting *all* tax payers who contribute to the massive public subsidy.

21. We strongly urge that the Government revise its policy on unregulated rail fares. The primary objective when setting rail fares and fare restrictions must *always* be to maximise the public benefit of the railways. This entails the greatest possible number of passengers travelling at the cheapest possible prices without raising public subsidies to unrealistic levels. This is *not* synonymous with the maximisation of revenue or profit for private operators. Given the natural preoccupation of private operators with maximising revenue, it is the Government alone which is able to safeguard a public service railway operated to maximise the benefit to passengers and taxpayers.

Fares and the efficiency of train operators

22. The Railway Consultancy pointed out that it is not *only* Government subsidy which determines the level of rail fares. The other crucial factor is the efficiency of operators.¹⁹ Passenger Focus emphasised that public subsidies in no way reduces the need for industry efficiency:

17 Q242-243 Mr Leech, Virgin Trains

18 Ev 21

19 Ev 145

“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.”²⁰

23. It is clearly not within the scope of this short inquiry to evaluate the actual efficiency of the operation of the railways. The Committee intends to revisit the railways with a root and branch inquiry later in 2006, and we expect that inquiry to consider the efficiency of the industry. **We believe the issue of industry efficiency is crucial to controlling the levels of fares. We also consider that too little attention is being paid to driving up efficiency levels and controlling costs as a way of keeping ticket prices down. Subsidies and industry efficiency are both crucial elements in ensuring that the railways provide value for money to travellers.**

Railway capacity and fares policy

24. Limited capacity and bottlenecks on the rail network are a well recognized problem, and the Government has recently announced that a White Paper in 2007 will address this long-term issue.²¹ Clearly, capacity problems are a barrier to continued growth in rail travel, on a par with prohibitive pricing and impenetrable fares structures. Furthermore, as explained by Transport 2000, “fares policy is often driven by the lack of capacity.”²²

25. The Parliamentary Under-Secretary of State for Transport, Derek Twigg MP, acknowledged that there are considerable challenges involved in increasing rail capacity to facilitate significant further growth on the railways.²³ Indeed, the fact that the Government has apparently (but quietly)²⁴ phased out its specific Public Service Agreement (PSA) target to increase rail passenger kilometres by 50% between 2000 and 2010²⁵ may be related to the fact that in the four years between 2000-01 and 2004-05, overall growth in passenger kilometres was less than 11%.²⁶ This rate of growth was hardly going to be adequate in achieving the original and ambitious PSA target

26. The railways are suffering from considerable capacity problems and bottlenecks in parts of the system. These problems have serious consequences for the ability of Government to achieve the level of growth in passenger kilometres needed to meet other of its key objectives such as the reduction in emissions and congestion. Capacity problems can also drive the ticketing strategies of train operators, enhancing their

20 Ev 57

21 Rt Hon Alistair Darling, Secretary of State for Transport: Speech to the National Rail Conference 2006, 15th March 2006.

22 Q 37 Mr Joseph, Transport 2000.

23 Q 274 and Q278 Derek Twigg MP, Parliamentary Under-Secretary of State for Transport. See also oral evidence provided by the Secretary of State for Transport, the Rt Hon Alistair Darling MP, on the Departmental Annual Report on 16 November 2005: Q 79.

24 Q279 Derek Twigg MP, Parliamentary Under-Secretary of State for Transport. Mr Twigg confirmed that the Government remains committed to a modal shift and growth on the railways, but he avoided confirming the *specific* target.

25 Department for Environment, Transport and the Regions: Transport Ten Year Plan 2000, Annex 2 – Targets and Indicators. This target did not appear in the 2005 Departmental Annual Report.

26 Strategic Rail Authority: National Rail Trends: Yearbook 2004-2005, Table 1.1b. In 2000-01, passengers in Great Britain travelled a total of 38.2 billion kilometres. In 2004-05, the figure had risen to 42.4 billion kilometres.

ability to continue to raise the price of a scarce commodity and thereby pricing many passengers out of the market. The Government must ensure an increase in railway capacity.

3 The complexity of rail fares

The framework for train fares

27. Some 22 Train Operating Companies (TOCs) hold rail franchises in England.²⁷ Train operators enter into franchise agreements with the Department for Transport (DfT)²⁸, and every agreement requires the train operator to participate in the Ticketing and Settlement Agreement (TSA). The TSA stipulates how fares for journeys involving several operators are set and distributed between them, as well as ensuring that through-ticketing continues to exist at a nationwide level.²⁹ Franchise agreements also require TOCs to participate in the National Rail Enquiries Service and in National Rail Conditions of Carriage. Under the current system, some fares are regulated whilst others are set at the full commercial discretion of train operating companies. Standard open, Apex and Advance booking fares are generally unregulated.

Unregulated fares

28. The range of ticket types, names and prices has increased greatly since privatisation, and many witnesses agreed that there is an almost impenetrable jungle of different fares, restrictions and price levels. Passenger Focus explained that “so complex is the fare structure that the current National Fares Manual (No. 91) valid from September 2005, lists over 70 fare types, governed by 760 validity conditions, on 102 A4-sized pages.”³⁰ The Railway Consultancy pinpointed the two key areas of unnecessary complication in the current system as firstly, “the use of differing names for the same product” by different companies, and secondly, “the use of differing (e.g. time-of-travel) conditions applied to equivalent products.”³¹

29. Depending on the company operating a particular route, advance purchase fares might be called for example “Apex, SuperAdvance, 3-day Advance, Value Advance, 7-day Advance, Flexi Return, Senior, 2-Some or 4-Sight”.³² If passengers buy their ticket on the day of travel, they could choose a Cheap Day Single or Return or a Saver Single or return – these sometimes have restrictions of travel, sometimes not. Alternatively they might opt for

27 Following privatisation of British Rail in the mid-1990s, the number of train operating franchises across the network has varied slightly. The figure of 22 excludes the Scotrail franchise because this was transferred to the Scottish Executive, whilst Merseyrail has been transferred to Merseytravel. Heathrow Express and Eurostar are also excluded from this figure because these are not franchises agreed by the Department of Transport or its predecessors in awarding franchises, the SRA and OPRAF. However, Scotrail and Merseyrail have similar fare regulation regimes to the other 22 TOCs (in Merseyrail’s case this similarity extends to those other TOCs that operate in PTE areas). By contrast, Heathrow Express and Eurostar fares are largely unregulated. The Department of Transport has announced that the number of franchises will be reduced to 19 with further possible reductions as and when franchises come up for renewal (see Department for Transport Annual Report 2005, para 4.21). For a list of franchises and operators, please consult Annex 1.

28 The Department for Transport took over responsibility for franchise agreements from the Strategic Rail Authority (SRA) at the end of July 2005. The SRA is now being wound up.

29 Strategic Rail Authority: Fares Review Conclusions 2003: Britain’s Railway Properly Delivered, Annex B.

30 Ev 54

31 Ev 146

32 Ev 54

an Open Single or Return, a Standard Day Single or Return, or on a few routes, the Supersaver single or return.³³ And then of course there are First Class fares.

30. Mr Derwent provided the Committee with an example of how, when he travels from Brighton to Evesham return in one day with his Senior Railcard, specifying the exact trains he wishes to travel on, he is faced with a choice of eleven different fares ranging in price from £24.30 to £92.80 – and that excludes the First Class options! He has the choice of two different Cheap Day Returns, three different Standard Day Returns, three Saver Return options, and three different Standard Open Return options, all with different conditions, restrictions and prices.³⁴

31. The current complexity of unregulated fares and conditions is an insult to the passenger. It is unacceptable that in order to purchase a rail ticket passengers are faced with up to a dozen different products, most of which have subtly different conditions and restrictions. Adding to the insult, operators not only market an unwieldy range of slightly different products, but in some cases, *identical* products are marketed under *different* names. The fact that this situation has been allowed to develop unchecked over a number of years demonstrates a lack of commitment from both train operating companies and the Government to the best interests of rail passengers.

Creating a user-friendly structure

32. Evidence submitted to the Committee’s inquiry broadly agreed that a reduction in the number of fares as well as a simplification and harmonisation of conditions and restrictions is required. Mr Harris, Director of the Railway Consultancy proposed that:

“There [...] needs to be a balance between the level of sophistication of the fares offered, and the complexity of that system. At one extreme, one could set a fare for each individual passenger, based on their willingness to pay for the journey, but such a policy clearly fails the ‘simplicity’ test. My judgment would be that there is room for about 5 different products, ranging from the most expensive ‘do anything’ ticket through those offering choice outwith peak periods to those restricted to specific trains.”³⁵

33. Whether there is scope for five or even fewer different types of tickets in standard class should depend on a careful analysis of the market, but as Passenger Focus pointed out, it is essential that a reduction in the number of types of fares is accompanied by a rationalisation: “into an immediately recognisable and understandable family hierarchy, with common nomenclature, validity and conditions, across all train operators.”³⁶

34. Train operators must take urgent action to implement a unified fares structure across the entire industry. This should involve no more than a handful of different fares, and names and restrictions should be identical across the network making the system user-friendly and transparent for passengers.

33 National Rail Enquiries (Ticket Types section: <http://www.nationalrail.co.uk>)

34 Ev 151

35 Ev 146

36 Ev 54

Initiatives to improve the problem of fares complexity

35. The Association of Train Operating Companies (ATOC) recognised that there is a problem of complexity, but considered that this problem primarily concerns long distance operators,³⁷ where fares are largely unregulated. Virgin Trains told the Committee that the industry as a whole had concluded already in 2000 that ticket systems were too complicated, but that the existing “ropey set of old [reservations] systems” was unable to cope with the burden. As of December 2004, the new National Reservation System has come into use, and Virgin maintained that this system is now enabling operators to simplify the fares structure.³⁸

36. Both Virgin and GNER said they are taking steps to simplify and coordinate their range of fares and conditions.³⁹ Mr Leech from Virgin trains outlined how the new system will have:

“only three types of fare: there is the Open fare which is fully flexible; there is the Saver fare which is for walk-up travel at off-peak times; and then there are the advance fares. We believe that that simple concept of three types of fare is something that customers can understand and indeed we are now developing our communication and our website to present fares in that simple way.”⁴⁰

Virgin Trains expect to have a new and more user-friendly web-site up and running in the spring of 2006 whilst GNER expect their new site to be operational by mid-2007.

37. It is commendable that some in the industry now appear to have seen the error of their ways and are taking steps to reduce the complexity and inconsistencies of rail fares and conditions. It would appear, however, that the ‘new’ fares structure being ‘developed’ by some operators is almost identical to the structure they inherited from British Rail, namely with three basic types of fares: Open, Saver, and Apex. In other words, it has taken a decade of complexity to reach the conclusion that the simplicity of the starting point was sound. This does not inspire confidence in train operators or the regulatory framework of the industry.

38. The Committee is not sanguine about the industry’s capacity to create a uniform, coherent, and successful system of fares and conditions without Government regulation. The assertion by some train operating companies that the current level of complexity is caused by the old reservations systems being incapable of handling a simple fares structure is not credible. Under British Rail, the system was capable of managing a simple fares structure, but that is apparently no longer so. We believe that the level of complexity arises from a different cause entirely. In our view, it is inherent in the privatised and fragmented industry that different operators will wish to apply different conditions and restrictions which optimise the commercial advantage of their individual franchise. Where no regulation is applied, such commercial considerations

37 Q 179 Mr Mapp, ATOC.

38 Q 183 Mr Leech, Virgin Trains.

39 Qs 179-180, Mr Leech, Virgin Trains; Q 181 Mr Garnett, GNER.

40 Q 180 Mr Leech, Virgin Trains. In a letter from Virgin Trains dated 7 April 2006, (Ev 176) Virgin Trains updated us on progress with their new systems. They emphasised that they had seen a 26% increase in the number of Advance Purchase tickets sold following the changes, and that their yield per seat had been reduced by 2%.

will invariably win out over considerations of consistency and ease of use for the customer. The experience of the past decade gives us no reason to think otherwise. Government regulation is required to ensure that *all* train operating companies adhere to *one* simplified fares system so that passengers can travel with easily identifiable fares across the entire network.

Reducing complexity through regulation

39. Given our conviction that the complexity of the fares structure is an inevitable by-product of the industry being managed to maximise turnover and profit rather than public benefit, it follows that the only effective means of combating fares complexity is to use regulation to impose limitations on the freedom of operators to deviate from a simple and easy-to-understand fares structure. However, the Department for Transport has expressed concerns that such regulation might reduce innovation:

“One option for consideration is to standardise ticket naming both between TOCs and within each TOC’s product range, to make the ‘Open - Saver - Advance’ choice more transparent. However, the benefits must be set against the burden of increased regulation, and the constraint this might place on innovation.”⁴¹

40. **We do not accept the view that a Government-imposed harmonisation of fares categories and conditions would unduly reduce the scope for innovation. There is not a shred of evidence to imply that a clear, comprehensible and transparent framework of ticket names and conditions will reduce the scope for product innovation, as is suggested by the Department. Rather, such a framework would serve to improve customer satisfaction. It is imperative that the Government take steps to enforce a degree of harmonisation of ticket names and conditions on all operators.**

Regulated fares

41. Saver fares and most commuter fares are subject to regulation by the Department for Transport which assumed responsibility for fares regulation in July 2005 following the winding up of the Strategic Rail Authority.⁴² Regulated fares make up between 40% and 50% of fares depending on the method of calculation.⁴³

The nature of regulation

42. The basis for regulation is the market position of rail in relation to other forms of transport in a particular area. If rail has a dominant position, regulation can be imposed, but if there is adequate competition from other transport modes, train operators are left to set fares freely.⁴⁴ The Secretary of State has “an obligation to ensure that where it appears

41 Ev 125

42 See: <http://www.dft.gov.uk> .

43 In 2003, the Strategic Rail Authority estimated that just over 40% of the annual £3.6 billion fares revenue came from regulated fares.” SOURCE: Strategic Rail Authority: How are Fares Regulated? <http://www.sra.gov.uk/qa/fares> However, The Association of Train Operating Companies (ATOC) now estimates that “around 49% of rail fares by value of sale and 52% by volume are subject to some form of regulation or other.” SOURCE: TF 14 ATOC section 3

44 Fares are regulated in Edinburgh, Cardiff, Leeds and Manchester. Other cities, for example Birmingham and Glasgow are not regulated by the DfT because fares are set by a PTE, a Passenger Transport Executive.

necessary, fares or certain classes of fare are 'reasonable' in all circumstances of the case."⁴⁵ This obligation has resulted in two broad types of fares regulation, 'Commuter Fares regulation' and 'Protected Fares regulation'.⁴⁶ Fares are regulated through a 'fares basket', where a limit or 'cap' is applied to a weighted average of the relevant fares on each train operator. The system of fares regulation as a whole was reviewed in 2003.⁴⁷

The impact of regulation on complexity

43. Regulated fares have not been characterized by the same multiplication of different products with different names and different conditions and restrictions. The fact that prices are regulated means that there is less reason and scope for train operating companies to create different products to appeal to different groups of passengers. That said, train operating companies have increased restrictions on the use of Savers in recent years, limiting the times of day when these fares are valid.⁴⁸ **We believe that the greater stability and clarity of fares' names as well as the restrictions and conditions of travel for regulated fares such as commuter fares and Saver fares is an illustration of the potential benefit of a tighter regulatory framework for rail fares in general.**

45 Ev 124

46 Strategic Rail Authority: [How are Fares Regulated?](http://www.sra.gov.uk/qa/fares) <http://www.sra.gov.uk/qa/fares>

47 With effect from January 2004, the cap on each operator's Commuter Fares basket and Protected Fares basket has been fixed at the 2002/3 value of each basket, increased by the Retail Price Index plus one percent (RPI+1%) year on year. Protected fares are thus allowed to increase in real terms by one percent on average each year. Train operators can adjust different fares within their basket by different margins as long as the average increase for the entire basket conforms with the 'cap,' and as long as no one fare is increased by more than six per cent above the rate of inflation in any one year. See Strategic Rail Authority: [Fares Review Conclusions 2003: Britain's Railway Properly Delivered](#).

48 Ev 55; Ev 148

4 The value for money of rail travel – real and perceived

44. The Committee invited evidence on the comparative cost of rail travel in order to establish the value for money of rail travel in the UK.

Summary of price developments since 1995

45. On average, across all types of services and all types of tickets, rail fares *increased* in real terms by 6.3% between January 1995 and January 2005. This average masks very significant differences between regulated and unregulated services. The price of regulated fares *decreased* by 4.2% over this ten year period⁴⁹, whilst some unregulated fares increased significantly. Table 1 illustrates the way in which different types of fares have developed since the privatisation of the railways.

Table 1: Index of development in rail fares January 1995 - January 2005.

	Standard Regulated 1995 = 100	Standard Unregulated 1995 = 100	First Class 1995 = 100
London and South East Operators	123.4	138.9	136.7
Long Distance Operators	124.8	152.9	183.0
Regional Operators	125.1	133.6	151.6
Reference RPI (Retail Price Index)	129.4	129.4	129.4

SOURCE: Strategic Rail Authority, National Rail Trends Yearbook 2004-2005 Table 5.1.

46. Even within a particular type of operators, the levels of fares increases have varied markedly. Whilst standard single fares have increased by about 48% on GNER, we had evidence that on Virgin Trains the rate was 80% despite the fact that the RPI for the period was just 27%.⁵⁰ Passenger Focus provided detailed examples of the diverging price developments on individual routes over the 1995 – 2005 period. The price of a standard open return fare for the 115 miles between London and Norwich increased by 16.4% whilst the fare from Leicester to London (99 miles) increased by 61.7%. The price *per mile* on the two routes had differed by just one penny in 1995, but by 2005 the gap had increased to 20 pence per mile.⁵¹

47. **The trends since 1995 demonstrate clearly that when fares are unregulated, there is a tendency for prices to rise faster than inflation. Fares on long-distance routes and first class fares have been the worst affected by price rises. This trend appears to continue relentlessly. Furthermore, the differences in fares increases on different routes have been startling. This has created a situation where the price for travelling a 100 mile journey on one route might cost significantly more than on another route, even where**

49 This price decrease resulted from the cap which never allowed fares to increase by more than 1 per cent per annum. In some years, the regulator even imposed a price *decrease* by at least one per cent a year, and in other years, prices were allowed to increase only in line with inflation.⁴⁹

50 Ev 140

51 Ev 58, Fares Comparison 1995-2005 table.

the quality and speed of the service is similar. This is neither fair nor in the best interests of passengers.

The announcement of 2006 fares increases

48. The Committee was concerned to learn, just one week after taking evidence from train operators, that fares would once again increase in January 2006, with many unregulated fares rising well above inflation.

49. The Association of Train Operators (ATOC), together with GNER and Virgin Trains, gave evidence before the Committee on the subject of rail fares on 30 November 2005. On 8 December ATOC announced that unregulated fares on the GNER and Virgin West Coast routes would increase by 8.8% and 5.9% respectively in 2006, at a time when the Retail Price Index stood at just 2.9%.⁵² It was also announced that the vast majority of regulated fares across all franchises would increase by the maximum permitted under the current regulatory regime, namely 3.9%.⁵³

50. It would appear that the train operating companies deliberately chose to wait until the Committee's hearing on train fares had been concluded before announcing yet another round of well-above-inflation hikes in rail fares. If so, this was both unhelpful and irresponsible. Our hearing was an excellent opportunity for the train operators to debate the grounds of their pricing structure and any further price increases. Instead, they chose short-term presentational gain over transparency and credibility. We find this behaviour immature and disappointing.

Perceived value for money of rail travel

51. Representative surveys of passengers over the past five years have indicated that satisfaction with the value for money of rail travel is low. Survey data published by Passenger Focus⁵⁴ shows that in the autumn of 2005 just 45% of rail passengers felt that their ticket represented good value for money.⁵⁵ This compared to 42% in September 2000,⁵⁶ shortly before the Hatfield crash, and this level remained remarkably constant throughout the four year period, demonstrating that passengers have not been satisfied with the value for money of rail travel for some time, and there is no apparent improvement in sight.

52 Annex 2 contains a list of all franchises and their 2006 price rises for regulated and unregulated fares respectively.

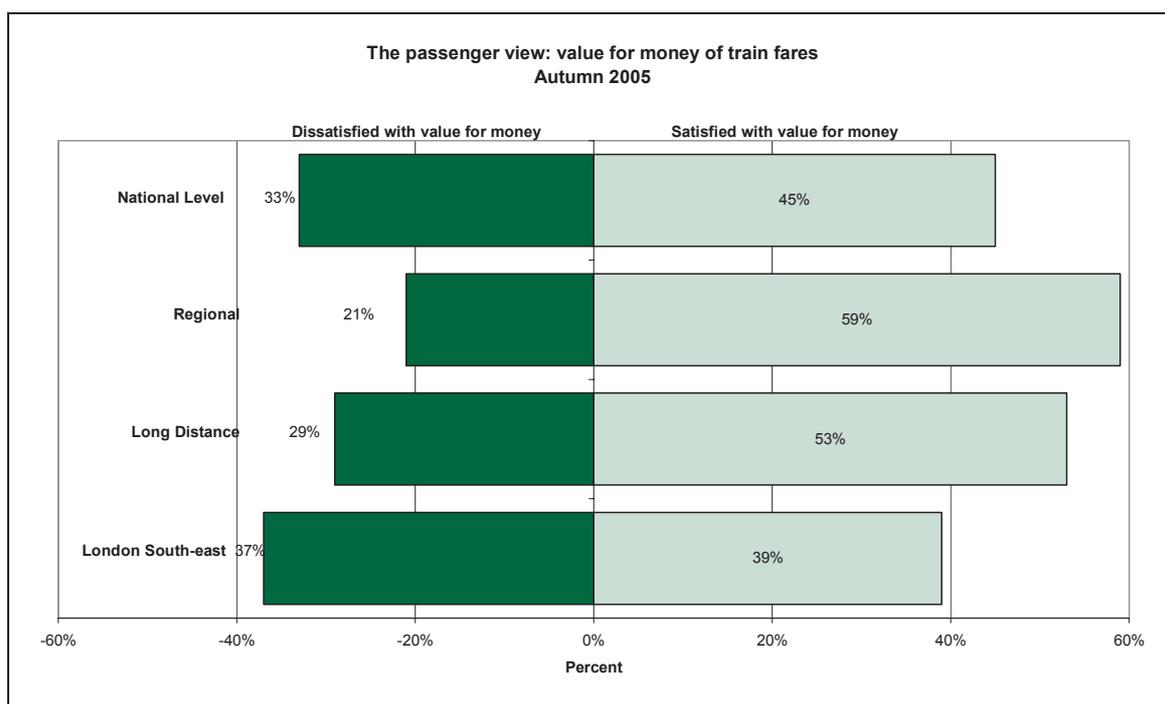
53 ATOC Press Release 8 December 2005: [ATOC Announces 2006 Rail Fares](#).

54 Formerly known as the Rail Passengers Council.

55 33% of respondents were dissatisfied or thought it was poor value for money, whilst 23% did not express an opinion. Source: Passenger Focus (formerly the Rail Passengers Council): [National Passenger Survey, Autumn 2005: Summary of Responses \(published 25 January 2006\)](#).

56 Shadow Strategic Rail Authority: [On Track – December 2000](#)

Figure 1: The passenger view: value for money of train fares



Source: National Passenger Survey, Autumn 2005: Summary of Results Section 2.2.

52. Many of our witnesses felt strongly that the price increases for rail travel seen since privatisation in 1995, particularly for unregulated fares, are both indefensible and unsustainable.⁵⁷ As demonstrated by the survey evidence in figure 1, this view is widely shared by passengers. **The persistently poor levels of passenger satisfaction with the value for money of rail travel are important. If passengers *perceive* rail travel to be too expensive, then in some senses it *is* too expensive, and it may reasonably be assumed that they will try to avoid paying the set price – if not in the short term, then in the longer term. Passengers’ perception of pricing is therefore crucial to the long-term outlook for the railways.**

Passenger growth and satisfaction despite poor value for money?

53. Despite the widely held view among rail passengers that rail travel is poor value for money, there has been significant growth in passenger numbers in recent years. On the surface this would appear to contradict the notion that rail travel is *too* expensive, because, it is assumed, people vote with their feet. Both the Department for Transport and the train operating companies quoted growth and the fact that “the UK has the fastest-growing rail patronage in Europe” as reasons not to be overly concerned about price levels.⁵⁸ Indeed, the Government demonstrated breathtaking complacency. The Minister, Derek Twigg MP told the Committee that:

“I believe customer satisfaction levels will go up. [...] People are voting with their feet and using the railway. It is clearly a much more attractive form of travel than it has been in the past. The train operating companies are bringing about many innovative

⁵⁷ See for example: Ev 01, Ev 25, Ev 154

⁵⁸ Ev 125. See also: Q 177 Mr Mapp, ATOC

marketing opportunities in terms of giving people more choice, new ticketing arrangements and I think that will bring about the increase in satisfaction levels we all want to see.”⁵⁹

54. Mr Mapp of ATOC was also puzzled that passenger satisfaction in general has improved to its highest level for five years whilst satisfaction with the value for money of rail travel has remained very poor:

“The National Passenger Survey [...] also showed [...] that satisfaction with train companies was the highest since records began in 2000. It is somewhat perplexing, therefore, to try and make sense of the fact that value for money remains stubbornly stuck at around about 40 per cent satisfaction.”⁶⁰

55. We do not find this remotely perplexing. **Passengers are fully capable of distinguishing between different aspects of the service they receive, and overall satisfaction is a measure of a whole range of things including punctuality, general comfort in addition to value for money. Over the five years since the Hatfield crash, the situation on the railways has improved from appalling through to just bearable in terms of punctuality and passenger comfort. As a result, while overall passenger satisfaction has improved, satisfaction with value for money has not.**

56. **Unlike the Minister and the train operators, we do not accept the notion that the growth in passenger numbers is an unambiguous indication that train operators are performing well or even adequately in terms of value for money to the passenger. People travel by train for a variety of reasons. In some cases, they have no real choice. Increasing congestion on the roads and the difficulty in parking in built-up areas has made travel by car a more difficult option in many cases and on many of the routes where people opt to travel by train, neither air nor coach constitute realistic alternatives to rail.**

International price comparisons

57. International comparisons of fares levels are common, but can be problematic because of difficulties in identifying genuine like-with-like comparisons. This is particularly true in sectors such as rail travel where the structural set-up and historical factors, including levels of Government subsidy, differ very significantly between different countries. Differences in cost of living, earnings, taxation and prices mean that comparisons need to be based on special weighted exchange rates⁶¹ and take account of the full range of fares, how many passengers travel on different types of fares as well as other relevant factors. There was broad agreement among witnesses that commuter fares in the UK are higher than in the rest of Europe⁶², and several witnesses provided evidence that the same applies to rail fares

59 Q286 Derek Twigg, Parliamentary Under Secretary of State for Transport

60 Q175, Mr Mapp, ATOC.

61 Purchasing Power Parities (PPP) is an exchange rate that can be used instead of market exchange rates. PPP adjusts for price and income differentials between different countries. The OECD calculates PPP figures that can be used to make valid and reliable comparisons between prices in different countries.

62 See Ev 01, and Ev 107

in general.⁶³ Therefore, without drawing any detailed conclusions about the precise price differentials between individual countries, it *can* be said that **on the whole, there is little doubt that walk-on rail fares in the UK are more expensive than in many European countries.**

58. The problem of pricing on the UK railways needs to be worked out in a UK context. We may be able to learn from initiatives and ways of doing things in other countries, but when it comes to balancing the contributions made by taxpayers and users of services, our traditions are ultimately quite different from those of neighbouring countries of a similar size, such as Italy and France. Without major political shifts and structural changes, it is unlikely that the UK will move towards public subsidies for the railways on a scale seen in France and Italy in the past. Furthermore, changes in those countries are narrowing the gap between them and us, making comparisons even more difficult.⁶⁴

59. International comparisons can only take us so far. What matters is how the price of rail travel in the UK compares to other modes of travel here, and whether passengers believe they get value for money when they travel by train. The emphasis must be on train operating companies delivering a cost effective, streamlined and attractively priced fares structure which provides value for money, and on the Government delivering a framework which supports such services and protects passengers actively against sharp practices by the industry.

Inter-modal price comparisons

60. We received comparative evidence demonstrating that rail travel is more expensive than other modes of travel within the UK, and crucially that this difference has increased since privatisation in 1995. It is also true that if rail is compared to other modes of transport over a longer period, i.e. thirty years, the development is even more marked. The RMT quoted Government figures showing that between 1975 and 2004, rail fares had increased by 70% whilst the cost of motoring had decreased by nearly 11%.⁶⁵ However, the Railway Consultancy argued that the issue is not that rail travel is too expensive, but rather that:

“the main competitor to the railways, the private car, is too cheap, as many of its externalities (e.g. pollution, accidents, policing) are not fully borne by its users. Moreover, there is a good case for saying that most transport services are under-priced, especially given their dependence upon limited natural resources. Providing a

63 See Ev 01, and also Ev 56, (quoting research carried out by Union Bank of Switzerland). Research commissioned by the Rail, Maritime and Transport Workers Union (RMT) in the spring of 2005 had indicated that rail travel in the UK is up to three times more expensive for the passenger than in mainland Europe. See Ev 01. The RMT study did not use PPP exchange rates, and it did not consider the full range of UK fares as well as the proportions of passengers who travel on different types of fares – what passengers *actually* pay. The results can therefore be used to indicate an overall trend, but a degree of caution needs to be applied when deriving more detailed conclusions.

64 According to figures produced by NERA Economic Consulting for the European Commission, the Public Budget contributions to the railways in 2001 in Euro (calculated on the basis of 2001 PPP exchange rates) was Eur 7.5bn in France, Eur 7.3bn in Italy and Eur 1.9 bn in the UK. In other words, the public subsidy to the Italian railways was, nearly four times as large as in the UK in 2001. This differential has narrowed somewhat with the considerable growth in public investment in the UK railway infrastructure in the last few years, and the decline in subsidies in Italy. The figures for 2003 (the latest year available) were: Eur 8.4bn in France, Eur 6.9bn in Italy and Eur 5.6bn in the UK SOURCE: NERA Economic Consulting (April 2005) *Public Budget Contributions to the Railways*.

65 Ev 02 and Ev 25, both quoting a written parliamentary answer from the then Parliamentary Under Secretary of State at the Department for Transport Charlotte Atkins in February 2005.

realistic basis for the pricing of other modes, by using the tax system more effectively to encourage use of the more efficient modes, is key; road pricing and carbon taxes are two possible ways of doing this.”⁶⁶

This argument is relevant because it brings us back to the importance of seeing the cost of rail travel in a broader perspective. Not only must rail travel be accessible to everyone in absolute terms, but in order to achieve public policy objectives such as reductions in congestion and pollution costs, it has to be competitive with travel by car.

61. We urge the Government to review the comparative costs of travel by different modes in the UK and to ensure that mechanisms are put in place to ensure a reasonable price balance between modes, reflecting strategic policy priorities such as limiting emissions. This may involve increasing subsidies for one or more modes whilst taking measures to increase the cost of using other modes. This kind of joined-up approach would promote transparency in the debate over the true costs of different transport modes, and assist the Government in achieving its broad strategic policy objectives such as regional development and a reduction in road congestion and emissions.

Value for money of rail travel – a lottery?

62. Our evidence demonstrated clearly that the value for money of rail travel depends crucially on the nature of the ticket a passenger holds. As a result of the complex ticket structure and the wide diversity in the price of different types of tickets, one passenger might have paid many times more, or less, than the passenger sitting in the next seat. The passenger who is lucky and is able to buy a ticket on the internet a long time ahead of travel may achieve excellent value for money, perhaps even paying less in real terms than the same ticket would have cost before privatisation.⁶⁷ The person who needs to buy the ticket at the station shortly before departure is likely to get very poor value for money. This has introduced a level of arbitrariness and unfairness which effectively makes rail travel into a lottery. This is not acceptable for a publicly subsidised key element of our transport network.

63. Rail travel in the UK ten years after privatisation is *perceived* to be poor value for money. And for those passengers who do not succeed in getting cheap advance purchase tickets, train travel is poor value for money compared to other modes of transport. It is clear beyond reasonable doubt that walk-on fares in the UK are more expensive than equivalent tickets in many other European countries.

64. We appreciate that a small proportion of the lowest fares are sometimes available through advance purchase tickets. We also understand the need to spread passenger usage across the day. But not everyone is able to plan their journey weeks in advance to take advantage of such cheap prices. Train operating companies need to provide cheap tickets on all services, not just a few off-peak services. It is imperative that reasonably priced open walk-on fares are re-instated so that nobody is excluded from using the railways for trips which cannot be booked in advance. We recommend that the

66 Ev 146

67 For example, GNER claims that 10% of its passengers travel more cheaply, in real terms, than they would have done before privatisation in 1995, *despite* the fact that the price of unregulated fares has generally increased significantly above the rate of inflation on long distance routes such as those run by GNER. See TF 17 GNER, para 2.6.

Government take measures without delay, through franchise agreements, to cap open walk-on fares.

Short and long-term effects of ticket prices (elasticity)

65. Passengers, particularly commuters sometimes have very little choice in the short-term about whether to travel, and what mode of travel to use. But in the longer term, choices about where to live and work may well be based in part on the cost and convenience of commuting.⁶⁸ The Association of Train Operators (ATOC) maintained that continuing above-inflation price increases to commuter fares would not cause “major shifts in employment and residency patterns”.⁶⁹

66. Whilst Train Operating Companies (TOCs) are likely to want to maximise revenue in the short term, they have little reason to worry about discouraging passengers in the *long-term*, when they may no longer run the particular franchise. TOCs might well hope to win extensions to their franchises, but this is not something they can necessarily rely on, and they may therefore conclude that it is more worthwhile for them to maximise revenue within the current franchise, even if this results in declining passenger numbers and revenues in the longer term, beyond the end of their current franchises. The Railway Consultancy put it to us that:

“some train operators have not understood (or have chosen not to understand) a key corollary of the theory, namely that elasticities effectively increase over time. In the short term, whilst some passengers may immediately be deterred [by prices] from travelling by train, switching mode immediately, others may pay up; in the longer-term, however, people start making different decisions about home and job location, and more passengers desert the railways. For a TOC with a short franchise, large fares increases may still gain net revenue, with the negative long-term effects accruing to a subsequent franchisee.”⁷⁰

67. We fear that the current level of rail fares will have far-reaching long-term consequences because it restricts unreasonably people’s options of where to live and work, where to locate or manage businesses. This could potentially hamper regional economic growth and reduce the popularity of rail in the long term.

68. In order to ensure that commuting on the railways remains an option for as many passengers as possible, we urge the Government to reverse the changes in the regulation of commuter fares so that the permitted annual increase is brought back down *below* the level of inflation.

68 Ev 145 and Ev 146

69 Ev 107

70 Ev 145

Evidence-based debate

69. Price elasticity⁷¹ is important to Train Operating Companies (TOCs) because it helps them to assess effectively what fares they can get away with, and at what point different types of passengers simply stop using the railways because the fares are too high. The Association of Train Operating Companies (ATOC) explained that they have sponsored a significant number of research projects on the price elasticity of rail fares.⁷² Much of the research carried out on the elasticity of rail fares is, crucially, not in the public domain. The Passenger Demand Forecasting Scheme with its accompanying Handbook is kept confidential by industry parties. This hinders anyone external to the industry in forming an in-depth opinion of the research evidence.

70. We urge train operating companies to make publicly available their research into elasticity, and in particular their Passenger Demand Forecasting Data and Handbooks. Given that this information is shared by the entire industry, there could be no competitive disadvantage in this data being in the public domain. We are concerned that the unwarranted secretiveness of the industry is hampering an open evidence-based public debate about fares policy.

71. We also recommend that the Government commission its own *independent* and publicly available research to evaluate the long-term elasticity of rail-fares as well as the propensity of Train Operating Companies (TOCs) to prioritise short-term revenue over long-term passenger retention. Such research must be placed in the public domain so that fully informed external scrutiny of TOCs can be undertaken.

71 Elasticity is a technical term often used by economists when trying to calculate the effect of a change in one variable (such as price) on another variable (such as rail demand). Calculating elasticity is relatively complex, and requires large datasets for valid conclusions to be drawn.

72 Ev 107

5 The management and pricing of key rail fares

Walk-on fares

72. The unregulated open fare and the regulated Saver fare are the main types of walk-on fares. The importance of walk-on fares as opposed to tickets that have to be booked a certain amount of time in advance of travel, was stressed by many witnesses in our inquiry, including also some train operators.⁷³ The East Midlands Passenger Transport Users' Forum (EMPTUF) summed up why walk-on fares are so crucial:

“One of rail's greatest strengths is its walk up nature and the flexibility that its timetable offers to passengers, who are able to make, or amend, their travel plans at short notice. It is essential that walk up fares continue to be available by all trains, to maintain rail's attraction to the passenger for whom the car is always ‘walk up’.”⁷⁴

73. One key concern for witnesses was the continued *availability* of walk-on fares, particularly on long-distance routes, and another concern was the *price premium*, if any, that walk-on fares should command. A third issue was whether it is necessary and desirable to use fares as a lever to manage and spread the load efficiently across peak and off-peak services, in other words to prevent trains from running empty at some times of day whilst being over-crowded at others.

74. The ability to turn up and go without notice is a vital characteristic of the railway. Without walk-on fares, the railways would have no hope of competing with road travel. What most passengers need first and foremost is flexibility and ease of use, and walk-on fares provide the easiest and most flexible way to travel.

Open fares

75. ‘Open fares’ include what is often termed ‘Standard Open Single’ and ‘Standard Open Return’ fares, the most flexible types of walk-on fares available. These fares can be purchased or used on any departure on any day of the week.⁷⁵ These fares have increased massively in price since the privatisation of British Rail – for example, the price of standard open fares from London to Manchester on Virgin Trains has increased by 60% since Virgin took over the franchise⁷⁶ in 1997. As a result, the open return fare on this route now costs in excess of £200.⁷⁷

76. Virgin argued that such fares reflect the fact that business people and high earners are prepared to pay the premium rate for open flexible fares and refuted the notion that such fares should be regulated so as to bring prices down:

73 See for example Ev 60; or Q 203 Mr Collins, Virgin Trains

74 Ev 56. See also Ev 140

75 Strategic Rail Authority: Fares Review and Conclusions 2003: Britain's Railway Properly Delivered, Annex E.

76 Q 246 Mr Leech, Virgin Trains.

77 <http://www.thetrainline.com>

“The SRA review of fares in 2002 confirmed the previous [Government] decision that Open fares should not be regulated. From a social perspective, regulation in this area would effectively direct public subsidy to high-earners and businesses, rather than helping those who are less well off.”⁷⁸

The company developed this ‘social conscience’ argument when giving oral evidence to the Committee, explaining that:

“We do not just make blanket decisions about putting prices up and saying that there is no choice for people, but we think about the ability of people to pay. We want to attract people on to the trains, so, although there is that one example which is often quoted about how we have put prices up, in the main our policies have been about reducing fares, for walk-up travel as well as for advance [fares], and attracting more people on to the service.”⁷⁹

77. It is essential that when rail passengers walk up and buy a ticket immediately before departure, they do not have to pay over the odds. Fully flexible open fares may need to command a price premium over other less flexible tickets, but the prices now charged by many long-distance operators are absurdly high. The ‘see how much we can get away with’ attitude of operators has put the thumbscrews on those passengers who have no option but to travel on peak-hour trains, using fully flexible Open fares. Such behaviour has brought not only individual train operators, but the passenger railways in general into disrepute. Train operating companies bear a heavy responsibility for giving passenger railways a bad reputation. Over and above our earlier recommendation for the Government to cap open walk-on fares, operators themselves must now take action to develop reasonable pricing structures for open flexible fares.

Saver fares

78. Saver fares have been a key component of the rail fares system for decades, enabling passengers to travel off-peak using cheap flexible return tickets purchased right up until the time of departure.⁸⁰ Savers are a cheaper than Open fares, but they are still walk-on fares, though with restrictions on the time of travel.

The importance of regulation of the Saver fare

79. Savers used to be paralleled by *Supersavers* which offered even better value for money, but in a narrower range of circumstances. Following the privatisation of British Rail in 1995, Saver fares were regulated whilst *Supersavers* were not, and the latter have largely disappeared since then. Passenger Focus explained how:

“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

78 Ev 87

79 Q246 Mr Leech, Virgin Trains

80 The Strategic Rail Authority defined Saver fares as “Off-peak fares for long-distance travel; Valid at any time at weekends but not usually valid before a certain time Mondays-Fridays [and] may not be valid in the Monday-Friday afternoon /evening peak period for journeys out of London.” Strategic Rail Authority: *Fares Review and Conclusions 2003: Britain’s Railway Properly Delivered*, Annex E.

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 [advance purchase] Apex-type; thus passengers who cannot book in advance have seen either their options reduced or their fares increased.”⁸¹

80. The fate of the Supersaver is instructive in an environment where Train Operating Companies (TOCs) are keen to see Saver fares de-regulated, with the Association of Train Operating Companies (ATOC) arguing to us that regulation of Savers is unnecessary because rail is not a dominant mode of transport⁸² on the long distance routes where Savers are most common. It argued that “the capping of these fares has led to some significant distortions in the market and has exacerbated overcrowding at peak periods of leisure travel.”⁸³ ATOC’s position clearly echoes the conclusions of the Rail Fares Review carried out by the Strategic Rail Authority in 2003 which stated that “crowding has sometimes been higher in the ‘off-peak’ than the ‘peak’ due to the distortions introduced by Saver regulation” and argued that it had constrained the development of new and more customer focused products.⁸⁴

81. The Government also appears favourable to the view that Savers should be de-regulated⁸⁵, although the Department for Transport has stated that no decision has yet been made.⁸⁶

82. We find it hard to see how Saver fares that are easy for passengers to understand and use, universal across the network, and good value for money can be seen to prevent the development of more “customer focused products”. What could be more ‘customer focused’ than the Saver fare? We are therefore deeply concerned about proposals to reform or even abolish regulation of Saver fares. It is imperative that Saver fares, which are the only remaining affordable walk-on fare on our railways, are ring-fenced and protected. It is the Government’s duty to tax-payers and passengers to provide this protection.

The erosion of Saver fares by train operators

83. In recent years, the conditions attached to Saver fares have become more restrictive, by dint of many Train Operating Companies (TOCs) changing the definitions of peak and off-peak periods, making the latter an ever smaller ‘window’ in the day. The imposition of restrictions on the return leg of a Saver journey has, according to Passenger Focus, served only to undermine further the usefulness and user-friendliness of Saver fares to passengers.⁸⁷ Passenger Focus illustrated the point to the Committee with specific

81 Ev 56

82 I.e. less than 40% of journeys are undertaken by rail.

83 Ev 84

84 Strategic Rail Authority: Fares Review and Conclusions 2003: Britain’s Railway Properly Delivered, para 2.1.

85 Q 310 Derek Twigg MP, Parliamentary Under-Secretary of State for Transport.

86 After the Committee took oral evidence on the subject, press reports have appeared to indicate that the Government has indeed made the decision to abolish Saver fares. See The Times, 20 January 2006: Rail Fares will Treble as Cheap Tickets Go and Off-peak is Off. The Government has denied that any decision should have been made. SOURCE: Note supplied by the Department for Transport to the Committee on 7 March 2006.

87 Ev 55

examples, demonstrating the way in which the progressive reduction in the off-peak window has reduced the usefulness of Saver fares. On the Preston to London route, the restrictions for Saver and Supersaver fares were as follows in 1995, 2000, and 2005 respectively:

- “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.”⁸⁸

84. Some train operators highlighted that Savers serve a distinct market segment, and that Saver fares do well in competing with domestic airlines for this group of passengers.⁸⁹ Therefore, train operators would wish to retain the Saver fare even if de-regulated.

85. We note the claims of *some* Train Operating Companies that they would retain Saver fares if they were de-regulated. We have little faith in these assertions. Savers have already been eroded in many cases by ever narrower time-of-travel restrictions imposed by train operators. We strongly suspect that in a de-regulated market, Saver fares would eventually be eroded to the point of irrelevance because operators would be tempted to apply ever stricter conditions and restrictions on their use, making these tickets difficult for passengers to use.

86. If Saver fares were eroded further, passengers are likely to be pushed onto much more expensive open tickets, or onto advance purchase tickets which are cheap but inflexible. The former would be likely to increase the revenue per passenger for train operators whilst the latter would increase predictability and make it easier for them to manage passenger demand across the day. Needless to say, the passenger would be the loser in both circumstances. We therefore recommend not only that the Government retain regulation of Saver fares, but that it take immediate steps to strengthen the current regulatory regime in order to limit the kind of travel restrictions that train operators are able to impose, and to ensure that travel restrictions are the same for Saver tickets across all operators on the network.

88 Ev 55

89 Ev 92. See also Ev 88

Advance purchase tickets (APEX)

87. The most striking change in the fares structure since the privatisation of British Rail has been the rise of advance purchase fares, primarily on long-distance routes. Advance purchase fares, sometimes known as apex fares, have to be booked a certain period prior to travel, and are normally sold with a seat reservation for a particular departure. The booking is non-flexible, and usually non-refundable. Pricing is non-transparent and based on quotas for individual departures so passengers usually have to book very far ahead of travel in order to obtain the cheapest fares. This system is similar to the model used by no-frills airlines. On some long distance routes such as London – Manchester, advance purchase fares now account for more than 10% of tickets sold,⁹⁰ and train operators appear confident that they can further increase growth in the advance fares market.⁹¹

The rise of advance purchase fares

88. Train Operating Companies (TOCs) have four key reasons for developing and promoting aggressively the advance purchase fares model:

- First, advance purchase fares are a useful tool for train operating companies in spreading the passenger load so as to minimise overcrowding on peak departures, and to optimise the planning for, and utilization of capacity on non-peak departures.⁹²
- Second, by selling seats which would otherwise have gone empty on off-peak services, operators are maximising their revenue even if they are selling the seats at less than cost-price – they earn *something* as opposed to nothing at all for the seats sold, and, in the view of the Government this helps to minimise the level of subsidies needed for the railways.⁹³ For train operating companies, an added bonus of advance purchase tickets is that they receive the fares weeks earlier than they would have done if the tickets had been sold as walk-on fares.⁹⁴
- Third, according to ATOC, these cheap tickets require advance booking “to reduce the risk of them being bought by business travellers”.⁹⁵
- Finally, advance purchase fares are seen as a means to attract new leisure passengers on to the railways, with Virgin Trains arguing that “around 50% of customers using [Virgin’s] Value Advance tickets would not have travelled by rail if such attractive prices had not been available.”⁹⁶

90 Q208-209 Mr Leech, Virgin Trains.

91 Ev 93

92 See for example Ev 88; Ev 147.

93 Ev 125

94 Ev 147

95 Ev 110

96 Ev 88

The limitations of advance purchase fares

89. Few witnesses in our inquiry were directly opposed to the existence of advance purchase fares, but the emphasis of train operators on advance purchase fares at the expense of other, more flexible types of affordable fares was criticised. Also, the crucial point was made that most rail journeys do not readily lend themselves to being planned weeks ahead,⁹⁷ and they are not generally suitable for regional journeys.⁹⁸

90. Other witnesses questioned the economic rationale of a system in which booking early attracts discounts whilst last minute journeys carry a premium price tag. Railfuture Northeast pointed out that “in other industries, hotels and holidays for example, whilst *high season* may command a premium, last minute bookings commonly generate a discount.”⁹⁹ The Railway Consultancy questioned the use of advance booking as a way of ensuring that only price-sensitive leisure travellers get the very cheap fares:

“booking ahead policies effectively assume that those able to book in advance are likely to be less willing to pay, and should therefore be offered a discount - but this does not necessarily follow. For instance, there are many business trips (e.g. annual meetings, conferences) which are known about significantly in advance, and where the railways are therefore offering cheap facilities to those who are prepared to pay more. This is not good economics.”¹⁰⁰

91. Advance Purchase rail fares are here to stay. We acknowledge the benefits that such fares may have for some leisure travellers, and we also accept the need to make off-peak services attractive to as many passengers as possible. Cheap advance purchase fares are a sensible way to fill up off-peak seats that otherwise would not be sold, but this must never be to the detriment of affordable walk-on fares. The latter must once again become the mainstay of rail travel if the railways are going to compete with the motorcar and be affordable to the general public for routine journeys. The Government needs to develop the regulatory framework to ensure a sound and passenger-friendly balance between off-peak bargains and user-friendly and affordable services every day of the week.

Group Travel

92. Another type of tickets where ever tighter time restrictions and quotas have come into play is group fares, used primarily by schools and colleges. It is important that our children and young people are able to visit national institutions such as Parliament, the big national museums or indeed sites of scientific, geographical or historical interest to support their learning and development. The social benefit of enabling schools and colleges to go on study visits is apparently appreciated by at least one train operator.¹⁰¹ However, this recognition is not backed up by action.

97 Ev 140

98 Ev 60. Emptuf gave the particular example of the 50 mile route between Leicester and Peterborough.

99 Ev 150

100 Ev 147

101 Ev 90

93. Virgin Trains does not allow group travel on peak services,¹⁰² and in one case brought to our attention, this meant that a group of college students was unable to depart from the North of England until 11.45am,¹⁰³ with arrival in London in the early afternoon. This is hardly conducive to making the most of a day in London, visiting national institutions and museums within normal opening hours. Although Virgin Trains claims to serve one thousand school parties,¹⁰⁴ it seems that its policies on group travel are a hindrance rather than a help for some schools.

94. To make matters worse, the group in question was not allowed to book their journey until ten days before planned departure – a bizarre situation given the emphasis of train operators on passengers booking far ahead in other contexts discussed above. Virgin Trains does state that all group tickets have to be booked at least seven days in advance, suggesting that at least in some cases, schools will have a window of only a few days in which to book their group tickets.

95. It is easy to get the feeling that train operators are happy to sell tickets and acknowledge the social benefit of group travel for pupils and students, but only in as far as they are unable to sell the tickets at a higher price elsewhere. **Train operators have made it far too difficult for schools and colleges to undertake study trips using the railways. Instead of encouraging the young to use the railways for study purposes, barriers are put in their way. This is yet another case where we believe minimum standards should be guaranteed through Government regulation. Evidently train operators put revenue and profit before elementary social responsibilities.**

Yield Management

96. The computerised systems with which fares and capacity on long-distance rail routes are now managed have enabled train operators to vary the price of seats and the proportions of seats on sale at different price levels continuously in response to customer demand. In other words, complex computer models similar to those operated by no-frills airlines respond to the demand for seats on particular departures from hour to hour, raising the price or reducing the quotas of cheap tickets in response to high demand and vice versa. This enables train operators to maximise the ‘yield’ or revenue per seat.¹⁰⁵

97. Such yield management systems are a far cry from the simple pence-per-mile system used in the past, where the fare was normally based on distance alone, irrespective of the time of travel, the time of ticket purchase, or indeed what competition was posed by other modes of transport on a particular route.¹⁰⁶

102 Q252 Mr Collins and Mr Leech, Virgin Trains.

103 Ev 175 Letter from Ruskin Sports College to Hon. Gwyneth Dunwoody MP, dated 26 September 2005.

104 Q252 Mr Leech, Virgin Trains.

105 Ev 113

106 Ev 123. It is true that it was British Rail that initiated the development of market-based fares models several decades, already then beginning to un-link fares from distance travelled. This process accelerated with privatisation and the commercialisation of the railways, helped by technological advances.

Market segmentation

98. Train Operating Companies built on the work started by British Rail¹⁰⁷ in developing ‘market segmentation’ for rail travel. This means that very different products are developed and marketed to different types of passengers, ensuring that those who are sensitive to price are offered cheap products with strings attached, whilst passengers who are less concerned about price are offered more expensive products with less conditions and restrictions attached. ATOC is clear about the fact that the different types of fares described above are targeted at very different passengers, so whilst the standard single, open return and first class fares are targeted at business travellers, the saver fare and advance purchase fares are aimed at the leisure market.¹⁰⁸

99. The justification for deploying techniques such as market segmentation and yield management is partly to maximise revenue, and partly to manage capacity and maximise the number of people who travel by rail. Given the peaked nature of demand for rail travel, the objective is to attract price sensitive customers to travel on off-peak services through cheap advance purchase and Saver fares so as to avoid empty trains off-peak, and overcrowding during the peak hour.¹⁰⁹ Mr Harris, Managing Director of the Railway Consultancy told us of research he had carried out already in 1986 which demonstrated that:

“substantial differences between peak and offpeak fares are essential, if significant numbers of passengers are to be encouraged to travel offpeak. My research showed that the Ordinary fares at that time needed to be around 40% more expensive than day returns/Savers. With passengers’ Values [o]f Time having risen since, that figure is likely to be higher.”¹¹⁰

However, 40 per cent is a far cry from the differentials between the cheapest and most expensive fares now found on some routes. By its own admission, at December 2005 prices, a return to Manchester with Virgin Trains could cost as little as £24 return, or it could cost nearly eight times more at £187.¹¹¹ That is a difference of 700 per cent!

100. In train operators’ eyes, yield management and advance purchase fares ensure that as much space as possible is free for business passengers and commuters on peak-hour departures whilst leisure passengers benefit by being able to travel at much lower fares than they would have done if only walk-up fares such as Savers were available. “It gives the train operator greater confidence that spare seats are going to be well used and that discounting will not result in overcrowding.”¹¹²

107 Ev 123; See also Ev 110.

108 Ev 110

109 Ev 89

110 Ev 146

111 Q194 Mr Colliins and Q 208 Mr Leech, Virgin Trains.

112 Ev 88

A win-win situation?

101. Train operators are adamant that the current fares structure including the use of yield management systems represents a win-win scenario which is beneficial to both passengers, tax payers and train operators. The Association of Train Operating Companies (ATOC) explained:

“Customers benefit from there being a wider range of fares available and, in particular, very cheap fares for travelling in the off-peak. Customers also benefit from the fact that increased revenue allows train companies and the Government to invest more in the rail network. The tax payer benefits because increased revenue means that a lower level of subsidy is required to support the rail network. Train companies benefit because it provides the opportunity to use their commercial skills to grow revenue and, within the profit capping and sharing constraints now built into most franchises, increase profits for their shareholders.”¹¹³

102. As we have discussed above, these arrangements may benefit *some* passengers, but all those who are unable to plan a long time in advance and travel off-peak are the losers of this market based fares structure. A large category of passengers lose out in order to help keep down Government subsidies for the railways and to increase profits to shareholders in train operating companies. This raises the fundamental question of what should be the objective of fares policy, and the obligations which arise from large Government subsidies. We discussed these issues in Chapter 2 above.

103. The Department for Transport uses a comparison with other European countries to illustrate the connection between the way fares are managed and the need for Government subsidies:

“The market-based approach aims to maximise revenue, which ultimately reduces the need for subsidy through the franchising process. It is also likely to increase passenger numbers as lower fares will be offered where there is spare capacity. [...] Other European railways generally have a less sophisticated fares structure than the UK. They usually receive more subsidy, often funded by higher levels of general taxation, and have generally been under less pressure to maximise their revenue by adopting market pricing”.¹¹⁴

104. **‘Yield management’, the system now used by train operators to maximise their revenue for every seat, serves train operators by helping to maximise revenue and profit. It serves the Government by helping to minimise the need for Government subsidies. It also serves *some* passengers who are in a position to benefit from cheap advance booking fares with complex restrictions. The system, however, clearly fails all those passengers who have less predictable and flexible travel needs and who end up paying over the odds to travel.**

105. **A system for managing railway capacity and fares which puts financial outcomes for train operators or the Government on a par with, or even before, the needs of passengers is a retrograde development. Meeting passenger needs should be the**

113 Ev 107

114 Ev 123

primary and overarching objective of a public service railway. Therefore, whilst we appreciate the positive contribution of ‘yield management’ systems in utilising the capacity of the railways effectively by providing incentives for those who are able to travel outside peak hours to do so, we believe that train operators are taking the system far further than is required purely for the purposes of using capacity effectively. Driven purely by economic models of revenue maximisation, the premiums attached to walk-on and peak-hour travel have risen so high that many passengers are unable to afford them. This is nonsensical. It is incompatible with what ought to be the key public service objectives of our railways. This problem is inherent in the current structure of our railways, and short of altering this structure, broader and tougher regulation is the sole practical way of ensuring that the passenger is given proper priority.

Quotas

106. A feature of the dynamic yield management systems now used for handling ticket sales is that there are quotas for individual fares on any given departure on long-distance routes. The number of seats sold at a given price is limited on the basis of data from the past as well as current booking patterns for individual departures and times.

107. Quotas have proven to be an issue particularly for passengers attempting to purchase cheap advance purchase fares where quotas can be small and vary very significantly from one train to the next. Apart from any discussion about the size and fairness of quotas, a key problem is the lack of transparency and information about quotas which has up till now persisted. Passenger Focus told us that it:

“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.”¹¹⁵

The Chief Executive of GNER admitted the unacceptable limitations of identifying the cheapest tickets with the current system, stating that it “will just drive you spare slogging through every train” in order to try to find the bargains.¹¹⁶

108. Both Virgin Trains and GNER told the Committee that they are changing their booking systems, including the launch of new web-sites in the spring and autumn of 2006 respectively which will make the quota system more transparent and enable passengers to find the best deals more easily.¹¹⁷ However, the Association of Train Operating Companies counselled caution about the limitations to the information which can be provided to consumers because of the highly fluid dynamic nature of the quota system:

“there may be 100 seats available at a particular price level on day 1, 50 available on day 5 and 150 available on day 10. In these circumstances it is impossible to state the

115 Ev 55

116 Q 206 Mr Garnett, GNER.

117 Q 205 Mr Leech, Virgin Trains; Q 207 Mr Garnett, GNER.

absolute number of seats available at a particular price point on a specific train service, as this will vary over time. Availability on a specific day could be provided but given the dynamic nature of seat availability, as described above, this could end up being highly misleading.”¹¹⁸

109. Passengers have suffered for years from a severe lack of transparency about the availability of cheap advance purchase fares. This has prevented them from making informed decisions and obtaining the best tickets available. We note that train operators are now in the process of launching new and improved systems. We are also conscious, however, of the limitations imposed by ‘yield management’ systems in terms of the information that can be supplied to passengers. We will return to look at rail fares again next year, and we will expect to find substantial improvements in terms of the information available to passengers about the availability of cheap fares. We want to see a system where passengers can identify easily and quickly how they can travel most cost effectively within a three day period, that is, what departures have the cheapest fares, and what the restrictions on these tickets are.

Availability of advance purchase tickets for festive periods

110. The issue of limited and non-transparent quotas has proven to be particularly acute around the festive season of Christmas and New Year. In 2004, rail passengers had difficulties in obtaining reasonably-priced tickets for travel during the holiday period because of problems in releasing the timetables in good time, as discussed in Chapter 6 below.

111. In 2005, however, there were relatively few problems arising from delays in releasing the timetables. Instead, train operators’ quota systems made life difficult and expensive for passengers. Passengers were unable to get an overview of the numbers of cheap tickets available, and the quotas imposed on different departures. As a consequence, passengers had to enter into ‘fishing expeditions’, enquiring about the prices on each individual departure on each individual day in order to try to identify the best value fares available.¹¹⁹

112. Virgin and GNER both claimed to have multiplied by factors of three and four respectively the number of cheap advance purchase tickets available for the twelve days of Christmas and New Year 2005, with GNER offering nearly 115,000 advance tickets for this period, just under 27,000 of which were their cheapest fares.¹²⁰ However, as discussed above, without adequate and accurate information, customers will not know on which departures the tickets are available, and so they are reduced to participating in a lottery. Although Mr Garnett of GNER maintained that the tickets were spread out across different times of day and different days in the Christmas period,¹²¹ passengers trying to book a trip would have difficulty in finding out whether there were any cheap tickets left other than for

118 Ev 113

119 On the 30th November, The Times described the situation thus: “Rail companies, muttering about “commercial secrecy”, shy away from admitting that they are cashing in on their busiest few days in the year. They speak of “dynamic pricing” and point to airlines as an example of fares that vary according to demand. No one, they argue, complains when air fares go up at peak periods. But there is a crucial difference.” *The Times: Taken for a Ride* (Leading Article) 30 November 2005

120 Q 215-216 Mr Leech, Virgin Trains; Ev 118.

121 Q211 – 212 – Mr Garnett, GNER.

departures at the most unsocial hours because they would have to check for each individual departure in turn.

113. Train Operating Companies have been holding passengers to ransom during the festive season where many passengers have particularly important travel needs. Christmas is a time when many people can ill afford to pay large sums of money to travel to see family and friends, perhaps as their main annual journey. The lack of clarity and information for passengers about where and when seats are available is disappointing at this time of year.

114. We have the distinct impression that the frequently chaotic rush for limited numbers of good value seats on departures other than the most unsocial hours is positively encouraged by train operators, perhaps because it leads passengers to buy more expensive fares than would be the case if the purchasing arrangements were more straight-forward. It is imperative that train operators provide much clearer up-to-date real-time information to passengers about the availability of different fares on individual departures in the run-up to very busy periods such as the festive season.

Collection of due fares

115. In light of the preoccupation of Train Operating Companies (TOCs) with revenue maximisation, we found it most surprising to learn that there is a significant failure by many TOCs to effectively collect the fares that are due. Passenger Focus told us that:

“Revenue protection is not always evident, so collecting fares that you are supposed to be collecting would be a good thing. We are glad to see barriers going up in various places to increase that.”¹²²

In some areas, introducing ticket gates has, according to Passenger Focus, led to a 20% increase in ticket revenue. But Passenger Focus argued that train operators need not only to increase revenue protection by preventing people from travelling without tickets and penalising those who do, but also to provide more and better opportunities for passengers to buy tickets.¹²³

116. We are concerned over the lack of commitment by train operators to the collection of fares across the network. It is vital to collect the fares that are due in order to prevent unnecessary price hikes for law-abiding passengers who do pay for their travel. The industry must look carefully at its collection and enforcement levels and make improvements as a matter of priority.

¹²² Q59, Mr Foxall, Passenger Focus (formerly the Rail Passengers Council).

¹²³ Ev 57

6 Timetabling and the 'T-12' issue

The obligation for Network Rail to make timetables available

117. Train operators are required through their franchise contracts to publish information about train services and to open reservations nine weeks ahead of the date of travel. This is the so-called 'T-9' obligation.¹²⁴ In order to fulfil this obligation, train operators depend on Network Rail to comply with its contractual obligation to release confirmed timetables to them at least twelve weeks before any particular departure – the 'Informed Traveller Requirement', also known as 'T-12'.¹²⁵

118. In order to meet T-12, Network Rail has to organise and coordinate engineering works across the network, a process already under way some thirty weeks ahead of the date in question (T-30). If engineering works are not adequately planned in liaison with train operators, T-12 is unlikely to be met.

119. Advance purchase fares often require passengers to book their trip many weeks in advance in order to achieve the best price,¹²⁶ and if Network Rail fails to make its timetables available 12 weeks before the time of travel (T-12), train operators cannot make seats available for sale the 9 weeks ahead of travel required of them (T-9). Passengers then lose out because the deadline for buying the cheapest apex fares may have passed before seats are even put up for sale.

120. The importance of timetables being made available to passengers in a timely fashion has increased significantly with the growth in advance purchase tickets. Advance purchase tickets are sold only with a seat reservation. It is therefore essential that the timetable for the specific train and date is available at the time of booking the ticket. If the timetable is not available nine weeks ahead of departure, the passengers cannot book their tickets, and may as a result miss out on the best value fares.

The T-12 problem and its consequences

121. Railtrack and its successor, Network Rail, have failed to fully meet the T-12 requirement for a number of years.¹²⁷ Indeed, Network Rail stated that "it is arguable that the industry had never before achieved an Informed Traveller position of acceptable quality".¹²⁸ Significant problems were identified by the Rail Regulator already in 1998, and corrective measures were taken to address the problem. Progress was made, but following the Hatfield crash in October 2000, compliance all but collapsed. The lack of compliance with T-12 remained very poor through 2004. Consequently, there were substantial and serious problems for passengers in making travel arrangements for the 2004 Christmas

124 Ev 69

125 Office of Rail Regulation Glossary: <http://www.rail-reg.gov.uk/server/show/conGlossary.85>

126 Ev 83; Ev 126

127 Ev 70

128 Ev 72

period,¹²⁹ for example, resulting in many passengers missing the opportunity to book good value advance purchase tickets.

122. When the Committee announced its inquiry in August 2005 it was unclear whether similar problems might arise ahead of the 2005 festive season. In the event, most of the evidence received by the Committee indicated that significant improvements have been made to solve the T-12 problem. On the majority of routes Network Rail and the train operators are now meeting the Informed Traveller obligation.¹³⁰ We have not received reports of major problems for passengers in booking advance purchase tickets in the run-up to Christmas 2005 as a result of a failure to meet the T-12 or T-9 requirements, but there have been reports of passengers experiencing problems as a result of the quota systems employed by some train operators.¹³¹ We have dealt with this problem above.

The T-12 recovery

123. In 2004, the Office of Rail Regulation (ORR) initiated a recovery plan for delivery of T-12 by the summer of 2005. This plan required significant organisational, systems, and managerial changes at Network Rail.¹³² The ORR told the Committee that:

“The final milestone in delivery of the recovery plan was the upload, 12 weeks in advance, on 2 July 2005 of the timetable for the week commencing 24 September 2005 for all train operators. This was achieved for 21 out of 28 train operators¹³³; for others there were specific problems which were being addressed. [... In late September,] timetable revisions for 22 out of 28 train operators were regularly being uploaded, on target, 12 weeks in advance. Those operators not meeting the target do not have significant advanced reservation business, and actions are in hand to address the problems. The main long distance train operators offering advance purchase tickets (First Great Western, GNER, Midland Mainline, First Scotrail, Virgin Cross Country and Virgin West Coast) were all open for reservations and the purchase of tickets at least 10 weeks ahead.”¹³⁴

When giving oral evidence to the Committee on 23 November, the Office of Rail Regulation confirmed that both T-12 and T-9 obligations were being met across most of the network, albeit with some exceptions.¹³⁵

124. Network Rail has made progress towards meeting the obligation to release timetables 12 weeks before the date of travel (T-12). This is no time, however, for the industry to rest on its laurels. The obligation is not met for six out of 28 operators, so the ‘Informed Traveller’ requirement is not being met in more than 20% of cases.

129 Ev 69–Ev 70

130 Ev 89

131 Ev 149; Ev 163; Ev 170.

132 Ev 72

133 The figure of 28 operators includes four operators who are not franchised under the Department for Transport (or previously the Strategic Rail Authority). These are: Eurostar, Heathrow Express, Hull Trains, and London Underground.

134 Ev 70

135 Q119, Mr Bolt, Office of Rail Regulation.

Whether or not advance purchase fares are common on these particular routes, passengers will be disadvantaged if travel information is not made available to them at the required nine weeks before departure so that they can plan their travel itineraries.

125. The recovery process is clearly far from complete, and Network Rail needs to up its game. Failures to release timetables the required 12 weeks ahead of travel must become a thing of the past, not a recurring phenomenon. When we return to the issue of rail fares next year, we will expect to find that the remaining problems in this area have been resolved satisfactorily, and progress to date sustained.

The adequacy and sustainability of the T-12 recovery

126. Two broader issues arose out of our evidence on T-9 and T-12 compliance. First, the robustness and sustainability of the T-12 and T-9 recovery were unclear. What risks exist that T-12 and T-9 compliance could deteriorate or even collapse once again in the event of unforeseen events, for example another rail crash? The Office of Rail Regulation (ORR) appeared confident that, with a few exceptions, T-12 will be achieved in future, but promised that the regulator will continue to monitor the situation, and take action in the event of deterioration.¹³⁶

127. The Association of Train Operating Companies (ATOC) argued that “although much reduced, the risk of short term engineering work remains and may impact on some routes.”¹³⁷ The Institution of Civil Engineers felt that a potential for failure to meet T-12 still exists and therefore believed it should be incumbent on train operators to show greater flexibility when T-12 fails. Such flexibility could involve making advance purchase fares available at a later stage than normal or selling them without seat reservations so that they could be used on any off-peak train on a given day.¹³⁸ The ORR similarly pointed to the need for train operators to show greater innovation and flexibility in offering passengers alternative solutions when timetables fail to be fully fixed at the T-12 time-point.¹³⁹

128. The Railway Consultancy also questioned whether, in the 21st century, opening for advance booking nine weeks ahead of departure is good enough given the advance booking horizons of some competitors in the holiday market such as airlines.¹⁴⁰ The Railway Consultancy suggested that the rigidity that would be imposed on Network Rail in the planning of engineering works if T-12 were to be extended, could be counteracted through infrastructure investments, which would enable it to carry out engineering works without the need to close lines.

129. We have concerns about the robustness of industry performance in achieving T-12 and T-9 (that is the requirement of Network Rail to release timetables to train operators 12 weeks before departure, and for train operators to release timetables to passengers nine weeks ahead of departure). We urge the Office of Rail Regulation to

136 Q140-141 Mr Bolt, Office of Rail Regulation.

137 Ev 83

138 Ev 153

139 Q142-143 Mr Bolt, Office of Rail Regulation.

140 Ev 147

evaluate carefully what further action is required to shore up current performance in the delivery of timetables and to guarantee consistent future delivery.

130. In the event of future failures to meet the T-12 and T-9 obligations we believe train operators should be obliged to offer alternative solutions at advance purchase price levels to passengers who are unable to make advance purchase bookings within the time-frame normally applied. We also believe that the industry needs to consider carefully whether the T-9 timeframe is out-of date and booking services need to open at an earlier stage.

7 Regulatory complexity and weakness

131. Our evidence brought to light two very important problems in the regulatory framework for rail regulation. Firstly, the framework remains overly complex despite the recent abolition of the Strategic Rail Authority (SRA), and secondly it is weak, lacking both the appropriate powers and perhaps the will to be proactive and tough with the industry for the benefit of passengers.

A complex structure of regulation

132. In the railway industry, regulatory powers are divided between the Office of Rail Regulation (ORR) and the Department for Transport (DfT). The ORR holds responsibility for the economic and safety regulation of the sector as well as the imposition and enforcement of a number of license conditions dealing with consumer protection matters. These include timetabling information and the requirements for licensees to be party to certain industry agreements including in relation to through ticketing.¹⁴¹

133. The DfT is responsible for producing the Ticketing and Settlement Agreement (TSA), which all operators sign up to as part of their licensing agreement.¹⁴² The Department has also recently taken on the policy and management of *regulated* fares which previously came under the Strategic Rail Authority.¹⁴³ Issues about *unregulated* fares on the other hand, tend to come under the consumer protection or competition law remit, which is dealt with by the ORR in conjunction with the Office of Fair Trading (OFT).

134. The complexity of this regulatory structure was acknowledged by the ORR in their evidence to the Committee. Mr. Bolt, Chairman of the Office of Rail Regulation, sought to reassure us that the DfT and the ORR work very closely together “to make sure [...] that there is nothing falling down the cracks in between [the DfT and the ORR]”¹⁴⁴

135. The abolition of the Strategic Rail Authority (SRA), as recommended by our predecessors, has helped to simplify the regulatory framework for the railways. In some areas, however, notably fares and ticketing, there remains scope for confusion. This complexity is only compounded by the fact that, in competition matters, the power to make judgements and enforcement decisions is shared between the Office of Rail Regulation (ORR) and the Office of Fair Trading. Despite reassurances from the ORR, we are not convinced that a regulatory framework of this level of complexity is effective and efficient, let alone intelligible for passengers who wish to raise issues or complaints. We urge the Government to look at the structure again, with specific reference to fares and ticketing, and to simplify the system.

141 The Office of Rail Regulation is an independent statutory body. See: Office of Rail Regulation: <http://www.rail-reg.gov.uk/server/show/nav.001008>

142 This entails that: operators must ensure the provision of through-fares (for routes which involve more than one train operating company), the inter-availability of fares, they must honour all national rail cards (eg. the Young Person's Railcard, or the Disabled or Senior Railcards) and all ticket outlets such as ticket offices, web-sites and telephone lines must sell tickets for trains run by all operators on the network. Furthermore, operators cannot charge more than the fares indicated in the national fares database and manuals, and they are not permitted to charge booking fees on ticket purchases, even if a ticket is for a route operated entirely by other companies. SOURCE: Ev 123

143 This structural change was facilitated by the Railways Act 2005.

144 Q145 and Q149 Mr Bolt, Office of Rail Regulation.

Weak regulation

136. The weakness of regulation of some aspects of the rail sector was brought out by two examples in our evidence. The ORR has only very limited powers to pursue train operators in order to protect passengers against exorbitant pricing. However, when it comes to enforcing the licensing conditions of Network Rail, the ORR *has* got significant powers, but it appears meek and reluctant to use them. Both of these problems need to be resolved.

The lack of powers to control prices

137. The power of the ORR to penalise allegedly excessive fares is limited to circumstances where the train operator holds a dominant position, and the level of fares can be shown to constitute an abuse of that position.¹⁴⁵ In his evidence to the Committee, the Chairman of the ORR admitted that “the way competition law works in the UK establishes in practice a pretty high threshold for deciding that a particular fare is an abuse of dominance.”¹⁴⁶ This is so because:

“excessive prices are not to be confused with high prices, nor the competition rules with general price control regimes; and competition authorities in the United Kingdom and elsewhere have traditionally been reluctant to apply the competition rules to declare prices to be excessive”¹⁴⁷

138. Furthermore, the threshold normally used to determine market dominance is around 40%, and according to ATOC, rail only has this level of dominance in central London and a few other urban conurbations.¹⁴⁸ This is so because the market is defined not simply as rail, but rather *all* the direct modes of transport with a reasonably similar travel time which could include, for example flights on the London - Manchester route.¹⁴⁹ When investigating individual cases of alleged abuse of dominance, the ORR will consider whether other transport modes such as busses or coaches offer competition on the given route, and whether the price stands in a reasonable relationship with the “economic value” of the journey. It will also take into consideration whether it would affect adversely the “performance and viability of the franchise overall if competition law were applied to fares.”¹⁵⁰

139. We were startled to learn that about half a dozen complaints about allegedly excessive fares had been submitted to the ORR, and only one case had proceeded to full investigation. On that occasion, the ORR concluded that Virgin Trains was *not* guilty of such abuses through their unregulated fares on the West Coast Mainline, including London-Manchester and London-Liverpool routes.¹⁵¹ It is not for us to judge the merits of individual cases, but given our evidence of excessive fares on many unregulated routes, we

145 Ev 70

146 Q170 Mr Bolt, Office of Rail Regulation.

147 Office of Rail Regulation: *Virgin Fares Cases* (The Regulator's full conclusions) para 11.

148 Ev 80

149 Qs 163 – 165 Mr Bolt, Office of Rail Regulation

150 Ev 70–Ev 71

151 Office of Rail Regulation: *Virgin Fares Cases* (The Regulator's full conclusions) paras 1 and 19.

find it extraordinary that just one case of alleged abuse of dominant position has been brought against train operators.

140. The ability of the Office for Rail Regulation to pursue successfully exorbitant rail fares through the Competition Act is very limited. We therefore recommend that the Government review the regulation of rail fares and the definition of ‘dominant position’ within the rail sector. The Government needs to ensure that the power of the ORR to regulate exorbitant fares is meaningful.

The consensual approach to regulation

141. When we took evidence about Network Rail’s prolonged problems in meeting its T-12 obligation for the release of timetables to train operators,¹⁵² we were surprised to learn of the softly-softly approach adopted by the Office of Rail Regulation (ORR). Given the severe levels of disruption experienced by passengers, not least in the run-up to the festive season in 2004, the regulator appears to have taken a timid approach.

142. The ORR approach to Network Rail’s problems was co-operative and consensus-building, encouraging Network Rail to produce a recovery plan which was then approved by the ORR and monitored regularly for progress.¹⁵³ No enforcement or sanctions were imposed, an approach apparently supported by the Government.¹⁵⁴ Mr. Bolt, Chairman of the ORR told the Committee that they had achieved “the right outcome for passengers.”¹⁵⁵ Mr. Bolt explained what kind of situations, in his view, would warrant punitive action from the regulator:

“I think if you take the situation as we found it last year, if Network Rail had not come up with a plausible recovery plan, that would have been grounds potentially for enforcement. If Network Rail, having proposed a recovery plan, simply did not deliver on that plan so that it was not getting back into compliance with the licence again, that is the sort of thing where enforcement would be appropriate. We want enforcement to be an effective weapon and if you have got licence holders taking the right action without enforcement it actually means when you do have to take enforcement it is all the more powerful.”¹⁵⁶

143. Some of our evidence contradicted the ORR’s position on the regulation of Network Rail. With reference to the issue of timetables being made available to train operators at T-12, the Railway Consultancy suggested that provisions for penalty payments should be strengthened as a means of providing an incentive for Network Rail to perform its obligations satisfactorily.¹⁵⁷

144. Quite apart from the question of whether results might have been delivered earlier had sanctions been imposed, there are questions about the signals that the ORR’s co-

¹⁵² This is discussed in detail in Chapter 6 above.

¹⁵³ Ev 70

¹⁵⁴ Qs 330 - 331 Derek Twigg MP

¹⁵⁵ Q125 Mr Bolt, Office of Rail Regulation.

¹⁵⁶ Q 139 Mr Bolt, Office of Rail regulation.

¹⁵⁷ Ev 147

operative and consensus-based approach sends out to passengers and the industry. This approach clearly has its merits, but it also potentially signals to the outside world that the regulator is weak and overly cosy with the primary organisation that it regulates, Network Rail. It would have been helpful if the regulator had at least spelt out at an early stage precisely what sanctions would have been applied, and at what stage, in the event that Network Rail had failed to deliver its recovery plan.

145. The recent fine of £250,000 imposed by ORR on Network Rail for failing to ensure the accuracy of certain types of information provided to the industry may signal a new willingness on the part of the ORR to flex its enforcement muscles.¹⁵⁸ A fine of this magnitude is small by rail industry standards, but as discussed above, the signals sent out to the industry and to passengers could prove very valuable. We hope this move signifies a new era of more proactive and firm regulation.

146. It is vital that the Regulator should have the power and willingness to take effective remedial action swiftly where problems arise. Although T-12 compliance is now acceptable, the Office for Rail Regulation could have secured compliance by Network Rail more quickly through a more forceful approach to regulation. The Office for Rail Regulation must consider the efficacy of a tougher regulatory approach.

¹⁵⁸ Office of Rail Regulation: Press Release: ["Network Rail faces penalty over inaccurate infrastructure information"](#). ORR/04/06, 2 March 2006.

8 Conclusion

147. The Government famously now invests £87 million per week in the railways.¹⁵⁹ This level of public subsidy is given in recognition of the fact that the railways are a vital public service. The subsidy places an obligation on those who manage the railway to run it as a public service, and the railways should also be managed so that they support important economic, environmental and social objectives of the Government.

148. Despite the unprecedented level of investment, neither passengers nor tax payers get value for money. The current system has had more than a decade to prove its worth, but in terms of value for money and user-friendliness it has proven to be an abject failure. Fares structures are chaotic and pricing absurd because they are determined by commercial considerations rather than considerations for the public good and the value for money of passengers and tax payers. This is not acceptable, and the current system is not fit for purpose. If the Government is committed to the railway, it must *at the very least* use regulation to ensure that passengers get value not only for their own money, but also for the subsidy contributed by the taxpayer every year.

149. The Government has done some good work in terms of investment and the renewal of infrastructure of the railways in recent years, but it has failed to honour its obligation to passengers and tax-payers alike to ensure that the railways are affordable and user-friendly, that *all* passengers get good value for money when travelling by train. Although rail operators face competition from other transport modes, they usually operate as monopolies on individual rail routes. Both the Government and the industry are happy to draw parallels with the no-frills airline sector, and to see the booking systems and pricing structures of that sector take hold in the rail industry. But the railways are not like no-frills airlines, and neither should they become like airlines. Passengers use the railway for a much wider variety of journeys and situations than they would flights, and the railways are part of the country's fundamental and essential infrastructure for domestic travel. This is not a free market, and the Government must flex its muscles to ensure that passengers get a fair deal. It must ensure that a proper robust framework of regulation of fares is maintained, and there is an urgent need for the Office of Rail Regulation (ORR) to be granted better and clearer powers to pursue exorbitant or unfair pricing by train operating companies.

150. We are astonished at the complacency and lack of strategic thinking displayed by a Government who have accepted all too readily a privatised railway which has put revenue and profit before passengers over the past decade. The railways need strategy and strong leadership, something which only the Government can provide. The abolition of the Strategic Rail Authority and the assumption by the Government of direction over rail policy and financing was a good first step. But more needs to be done. It is imperative that the Government now wakes up to its responsibilities and starts to rectify the current vacuum by incorporating a coherent policy on fares and ticketing structures into its forthcoming White Paper on Rail.

¹⁵⁹ HC 1057-i, Q 183:Mr Derek Twigg MP, Parliamentary Under-Secretary of State for Transport. 19 April 2006.

Conclusions and recommendations

Rail fares in the bigger picture

The strategic significance of the railways

1. The affordability and attractiveness of rail travel is likely to affect the ability of Government to achieve broader economic and regional development goals. It is therefore imperative that the railways are managed and priced in such a way that they help and facilitate economic and regional development. Given that the railways are now run as private semi-monopoly enterprises, the Government needs to regulate actively to ensure that fares policy works *with* the grain of broader Government policy and not against it. (Paragraph 10)
2. If the Government is to entertain any hope of achieving its targets on emissions and congestion, it is essential for it to encourage a significant shift from road to rail. Rail travel must be made affordable and user-friendly in order to encourage people to reject cars in favour of rail. Ticketing policy is crucial in achieving this public policy goal. (Paragraph 13)

The level of public subsidies for the railways

3. The railways are a public service in receipt of substantial Government subsidies. In the spirit of a public service, the railways should be affordable and accessible to all, for walk-on, same-day or advance purchase travel. To achieve this, the Government needs to police the train operators much more rigorously than it has done to date. (Paragraph 14)
4. We accept that an increase in subsidies is not in itself the solution to the problem of unreasonable rail fares. We appreciate that the railways have to compete with many other vital services such as schools and hospitals for Government funds and we do not argue for French levels of railway subsidy. We do, however, believe that the dogged pursuit of a policy to minimise public subsidy risks the long-term viability of rail services and undermines the proper public service function of the railways. We need a balanced approach to rail subsidy which allows investment where relatively small sums can produce significant results. This should be accompanied by strong controls ensuring that the Government gets good value for its money. There must be no waste. (Paragraph 17)

Objectives of ticketing policy

5. We strongly urge that the Government revise its policy on unregulated rail fares. The primary objective when setting rail fares and fare restrictions must always be to maximise the public benefit of the railways. This entails the greatest possible number of passengers travelling at the cheapest possible prices without raising public subsidies to unrealistic levels. This is *not* synonymous with the maximisation of revenue or profit for private operators. Given the natural preoccupation of private operators with maximising revenue, it is the Government alone which is able to

safeguard a public service railway operated to maximise the benefit to passengers and taxpayers. (Paragraph 21)

6. We believe the issue of industry efficiency is crucial to controlling the levels of fares. We also consider that too little attention is being paid to driving up efficiency levels and controlling costs as a way of keeping ticket prices down. Subsidies and industry efficiency are both crucial elements in ensuring that the railways provide value for money to travellers. (Paragraph 23)

Railway Capacity and fares policy

7. The railways are suffering from considerable capacity problems and bottlenecks in parts of the system. These problems have serious consequences for the ability of Government to achieve the level of growth in passenger kilometres needed to meet other of its key objectives such as the reduction in emissions and congestion. Capacity problems can also drive the ticketing strategies of train operators, enhancing their ability to continue to raise the price of a scarce commodity and thereby pricing many passengers out of the market. The Government must ensure an increase in railway capacity. (Paragraph 26)

The complexity of rail fares

Unregulated fares

8. The current complexity of unregulated fares and conditions is an insult to the passenger. It is unacceptable that in order to purchase a rail ticket passengers are faced with up to a dozen different products, most of which have subtly different conditions and restrictions. Adding to the insult, operators not only market an unwieldy range of slightly different products, but in some cases, *identical* products are marketed under *different* names. The fact that this situation has been allowed to develop unchecked over a number of years demonstrates a lack of commitment from both train operating companies and the Government to the best interests of rail passengers. (Paragraph 31)

Creating a user-friendly structure

9. Train operators must take urgent action to implement a unified fares structure across the entire industry. This should involve no more than a handful of different fares, and names and restrictions should be identical across the network making the system user-friendly and transparent for passengers. (Paragraph 34)

Initiatives to improve the problem of fares complexity

10. The Committee is not sanguine about the industry's capacity to create a uniform, coherent, and successful system of fares and conditions without Government regulation. The assertion by some train operating companies that the current level of complexity is caused by the old reservations systems being incapable of handling a simple fares structure is not credible. Under British Rail, the system was capable of managing a simple fares structure, but that is apparently no longer so. We believe

that the level of complexity arises from a different cause entirely. In our view, it is inherent in the privatised and fragmented industry that different operators will wish to apply different conditions and restrictions which optimise the commercial advantage of their individual franchise. Where no regulation is applied, such commercial considerations will invariably win out over considerations of consistency and ease of use for the customer. The experience of the past decade gives us no reason to think otherwise. Government regulation is required to ensure that *all* train operating companies adhere to *one* simplified fares system so that passengers can travel with easily identifiable fares across the entire network. (Paragraph 38)

Reducing complexity through regulation

11. We do not accept the view that a Government-imposed harmonisation of fares categories and conditions would unduly reduce the scope for innovation. There is not a shred of evidence to imply that a clear, comprehensible and transparent framework of ticket names and conditions will reduce the scope for product innovation, as is suggested by the Department. Rather, such a framework would serve to improve customer satisfaction. It is imperative that the Government take steps to enforce a degree of harmonisation of ticket names and conditions on all operators. (Paragraph 40)

Regulated fares

12. We believe that the greater stability and clarity of fares' names as well as the restrictions and conditions of travel for regulated fares such as commuter fares and Saver fares is an illustration of the potential benefit of a tighter regulatory framework for rail fares in general. (Paragraph 43)

The value for money of rail travel – real and perceived

Summary of price developments since 1995

13. The trends since 1995 demonstrate clearly that when fares are unregulated, there is a tendency for prices to rise faster than inflation. Fares on long-distance routes and first class fares have been the worst affected by price rises. This trend appears to continue relentlessly. Furthermore, the differences in fares increases on different routes have been startling. This has created a situation where the price for travelling a 100 mile journey on one route might cost significantly more than on another route, even where the quality and speed of the service is similar. This is neither fair nor in the best interests of passengers. (Paragraph 47)

The announcement of 2006 fares increases

14. It would appear that the train operating companies deliberately chose to wait until the Committee's hearing on train fares had been concluded before announcing yet another round of well-above-inflation hikes in rail fares. If so, this was both unhelpful and irresponsible. Our hearing was an excellent opportunity for the train operators to debate the grounds of their pricing structure and any further price

increases. Instead, they chose short-term presentational gain over transparency and credibility. We find this behaviour immature and disappointing. (Paragraph 50)

Perceived value for money of rail travel

15. The persistently poor levels of passenger satisfaction with the value for money of rail travel are important. If passengers *perceive* rail travel to be too expensive, then in some senses it *is* too expensive, and it may reasonably be assumed that they will try to avoid paying the set price – if not in the short term, then in the longer term. Passengers' perception of pricing is therefore crucial to the long-term outlook for the railways. (Paragraph 53)

Passenger growth and satisfaction despite poor value for money?

16. Passengers are fully capable of distinguishing between different aspects of the service they receive, and overall satisfaction is a measure of a whole range of things including punctuality, general comfort in addition to value for money. Over the five years since the Hatfield crash, the situation on the railways has improved from appalling through to just bearable in terms of punctuality and passenger comfort. As a result, while overall passenger satisfaction has improved, satisfaction with value for money has not. (Paragraph 56)
17. Unlike the Minister and the train operators, we do not accept the notion that the growth in passenger numbers is an unambiguous indication that train operators are performing well or even adequately in terms of value for money to the passenger. People travel by train for a variety of reasons. In some cases, they have no real choice. Increasing congestion on the roads and the difficulty in parking in built-up areas has made travel by car a more difficult option in many cases and on many of the routes where people opt to travel by train, neither air nor coach constitute realistic alternatives to rail. (Paragraph 57)

International price comparisons

18. On the whole, there is little doubt that walk-on rail fares in the UK are more expensive than in many European countries. (Paragraph 58)
19. International comparisons can only take us so far. What matters is how the price of rail travel in the UK compares to other modes of travel here, and whether passengers believe they get value for money when they travel by train. The emphasis must be on train operating companies delivering a cost effective, streamlined and attractively priced fares structure which provides value for money, and on the Government delivering a framework which supports such services and protects passengers actively against sharp practices by the industry. (Paragraph 60)

Inter-modal price comparisons

20. We urge the Government to review the comparative costs of travel by different modes in the UK and to ensure that mechanisms are put in place to ensure a reasonable price balance between modes, reflecting strategic policy priorities such as

limiting emissions. This may involve increasing subsidies for one or more modes whilst taking measures to increase the cost of using other modes. This kind of joined-up approach would promote transparency in the debate over the true costs of different transport modes, and assist the Government in achieving its broad strategic policy objectives such as regional development and a reduction in road congestion and emissions. (Paragraph 62)

Value for money of rail travel – a lottery?

21. Rail travel in the UK ten years after privatisation is perceived to be poor value for money. And for those passengers who do not succeed in getting cheap advance purchase tickets, train travel *is* poor value for money compared to other modes of transport. It is clear beyond reasonable doubt that walk-on fares in the UK are more expensive than equivalent tickets in many other European countries. (Paragraph 64)
22. We appreciate that a small proportion of the lowest fares are sometimes available through advance purchase tickets. We also understand the need to spread passenger usage across the day. But not everyone is able to plan their journey weeks in advance to take advantage of such cheap prices. Train operating companies need to provide cheap tickets on all services, not just a few off-peak services. It is imperative that reasonably priced open walk-on fares are re-instated so that nobody is excluded from using the railways for trips which cannot be booked in advance. We recommend that the Government take measures without delay, through franchise agreements, to cap open walk-on fares. (Paragraph 65)

Short and long-term effects of ticket prices (elasticity)

23. We fear that the current level of rail fares will have far-reaching long-term consequences because it restricts unreasonably people's options of where to live and work, where to locate or manage businesses. This could potentially hamper regional economic growth and reduce the popularity of rail in the long term. (Paragraph 68)
24. In order to ensure that commuting on the railways remains an option for as many passengers as possible, we urge the Government to reverse the changes in the regulation of commuter fares so that the permitted annual increase is brought back down *below* the level of inflation. (Paragraph 69)

Evidence-based debate

25. We urge train operating companies to make publicly available their research into elasticity, and in particular their Passenger Demand Forecasting Data and Handbooks. Given that this information is shared by the entire industry, there could be no competitive disadvantage in this data being in the public domain. We are concerned that the unwarranted secretiveness of the industry is hampering an open evidence-based public debate about fares policy. (Paragraph 71)
26. We also recommend that the Government commission its own *independent* and publicly available research to evaluate the long-term elasticity of rail-fares as well as the propensity of Train Operating Companies (TOCs) to prioritise short-term

revenue over long-term passenger retention. Such research must be placed in the public domain so that fully informed external scrutiny of TOCs can be undertaken. (Paragraph 72)

The management and pricing of key rail fares

Walk-on fares

27. The ability to turn up and go without notice is a vital characteristic of the railway. Without walk-on fares, the railways would have no hope of competing with road travel. What most passengers need first and foremost is flexibility and ease of use, and walk-on fares provide the easiest and most flexible way to travel. (Paragraph 75)

Open fares

28. It is essential that when rail passengers walk up and buy a ticket immediately before departure, they do not have to pay over the odds. Fully flexible open fares may need to command a price premium over other less flexible tickets, but the prices now charged by many long-distance operators are absurdly high. The ‘see how much we can get away with’ attitude of operators has put the thumbscrews on those passengers who have no option but to travel on peak-hour trains, using fully flexible Open fares. Such behaviour has brought not only individual train operators, but the passenger railways in general into disrepute. Train operating companies bear a heavy responsibility for giving passenger railways a bad reputation. Over and above our earlier recommendation for the Government to cap open walk-on fares, operators themselves must now take action to develop reasonable pricing structures for open flexible fares. (Paragraph 78)

Saver fares

29. We find it hard to see how Saver fares that are easy for passengers to understand and use, universal across the network, and good value for money can be seen to prevent the development of more “customer focused products”. What could be more ‘customer focused’ than the Saver fare? We are therefore deeply concerned about proposals to reform or even abolish regulation of Saver fares. It is imperative that Saver fares, which are the only remaining affordable walk-on fare on our railways, are ring-fenced and protected. It is the Government’s duty to tax-payers and passengers to provide this protection. (Paragraph 83)
30. We note the claims of *some* Train Operating Companies that they would retain Saver fares if they were de-regulated. We have little faith in these assertions. Savers have already been eroded in many cases by ever narrower time-of-travel restrictions imposed by train operators. We strongly suspect that in a de-regulated market, Saver fares would eventually be eroded to the point of irrelevance because operators would be tempted to apply ever stricter conditions and restrictions on their use, making these tickets difficult for passengers to use. (Paragraph 86)
31. If Saver fares were eroded further, passengers are likely to be pushed onto much more expensive open tickets, or onto advance purchase tickets which are cheap but

inflexible. The former would be likely to increase the revenue per passenger for train operators whilst the latter would increase predictability and make it easier for them to manage passenger demand across the day. Needless to say, the passenger would be the loser in both circumstances. We therefore recommend not only that the Government retains regulation of Saver fares, but that it takes immediate steps to strengthen the current regulatory regime in order to limit the kind of travel restrictions that train operators are able to impose, and to ensure that travel restrictions are the same for Saver tickets across all operators on the network. (Paragraph 87)

Advance purchase tickets (APEX)

The limitations of advance purchase fares

32. Advance Purchase rail fares are here to stay. We acknowledge the benefits that such fares may have for some leisure travellers, and we also accept the need to make off-peak services attractive to as many passengers as possible. Cheap advance purchase fares are a sensible way to fill up off-peak seats that otherwise would not be sold, but this must never be to the detriment of affordable walk-on fares. The latter must once again become the mainstay of rail travel if the railways are going to compete with the motorcar and be affordable to the general public for routine journeys. The Government needs to develop the regulatory framework to ensure a sound and passenger-friendly balance between off-peak bargains and user-friendly and affordable services every day of the week. (Paragraph 92)

Group travel

33. Train operators have made it far too difficult for schools and colleges to undertake study trips using the railways. Instead of encouraging the young to use the railways for study purposes, barriers are put in their way. This is yet another case where we believe minimum standards should be guaranteed through Government regulation. Evidently train operators put revenue and profit before elementary social responsibilities. (Paragraph 96)

Yield Management

A win-win situation?

34. ‘Yield management’, the system now used by train operators to maximise their revenue for every seat, serves train operators by helping to maximise revenue and profit. It serves the Government by helping to minimise the need for Government subsidies. It also serves *some* passengers who are in a position to benefit from cheap advance booking fares with complex restrictions. The system, however, clearly fails all those passengers who have less predictable and flexible travel needs and who end up paying over the odds to travel. (Paragraph 105)
35. A system for managing railway capacity and fares which puts financial outcomes for train operators or the Government on a par with, or even before, the needs of

passengers is a retrograde development. Meeting passenger needs should be the primary and overarching objective of a public service railway. Therefore, whilst we appreciate the positive contribution of ‘yield management’ systems in utilising the capacity of the railways effectively by providing incentives for those who are able to travel outside peak hours to do so, we believe that train operators are taking the system far further than is required purely for the purposes of using capacity effectively. Driven purely by economic models of revenue maximisation, the premiums attached to walk-on and peak-hour travel have risen so high that many passengers are unable to afford them. This is nonsensical. It is incompatible with what ought to be the key public service objectives of our railways. This problem is inherent in the current structure of our railways, and short of altering this structure, broader and tougher regulation is the sole practical way of ensuring that the passenger is given proper priority. (Paragraph 106)

Quotas

36. Passengers have suffered for years from a severe lack of transparency about the availability of cheap advance purchase fares. This has prevented them from making informed decisions and obtaining the best tickets available. We note that train operators are now in the process of launching new and improved systems. We are also conscious, however, of the limitations imposed by ‘yield management’ systems in terms of the information that can be supplied to passengers. We will return to look at rail fares again next year, and we will expect to find substantial improvements in terms of the information available to passengers about the availability of cheap fares. We want to see a system where passengers can identify easily and quickly how they can travel most cost effectively within a three day period, that is, what departures have the cheapest fares, and what the restrictions on these tickets are. (Paragraph 110)

Availability of advance purchase tickets for festive periods

37. Train Operating Companies have been holding passengers to ransom during the festive season where many passengers have particularly important travel needs. Christmas is a time when many people can ill afford to pay large sums of money to travel to see family and friends, perhaps as their main annual journey. The lack of clarity and information for passengers about where and when seats are available is disappointing at this time of year. (Paragraph 114)
38. We have the distinct impression that the frequently chaotic rush for limited numbers of good value seats on departures other than the most unsocial hours is positively encouraged by train operators, perhaps because it leads passengers to buy more expensive fares than would be the case if the purchasing arrangements were more straight-forward. It is imperative that train operators provide much clearer up-to-date real-time information to passengers about the availability of different fares on individual departures in the run-up to very busy periods such as the festive season. (Paragraph 115)

Collection of due fares

39. We are concerned over the lack of commitment by train operators to the collection of fares across the network. It is vital to collect the fares that are due in order to prevent unnecessary price hikes for law-abiding passengers who do pay for their travel. The industry must look carefully at its collection and enforcement levels and make improvements as a matter of priority. (Paragraph 117)

Timetabling and the 'T-12' issue

The obligation for Network Rail to make timetable available

40. The importance of timetables being made available to passengers in a timely fashion has increased significantly with the growth in advance purchase tickets. Advance purchase tickets are sold only with a seat reservation. It is therefore essential that the timetable for the specific train and date is available at the time of booking the ticket. If the timetable is not available nine weeks ahead of departure, the passengers cannot book their tickets, and may as a result miss out on the best value fares. (Paragraph 121)

The T-12 recovery

41. Network Rail has made progress towards meeting the obligation to release timetables 12 weeks before the date of travel (T-12). This is no time, however, for the industry to rest on its laurels. The obligation is not met for six out of 28 operators, so the 'Informed Traveller' requirement is not being met in more than 20% of cases. Whether or not advance purchase fares are common on these particular routes, passengers will be disadvantaged if travel information is not made available to them at the required nine weeks before departure so that they can plan their travel itineraries. (Paragraph 125)
42. The recovery process is clearly far from complete, and Network Rail needs to up its game. Failures to release timetables the required 12 weeks ahead of travel must become a thing of the past, not a recurring phenomenon. When we return to the issue of rail fares next year, we will expect to find that the remaining problems in this area have been resolved satisfactorily, and progress to date sustained. (Paragraph 126)

The adequacy and sustainability of the T-12 recovery

43. We have concerns about the robustness of industry performance in achieving T-12 and T-9 (that is the requirement of Network Rail to release timetables to train operators 12 weeks before departure, and for train operators to release timetables to passengers nine weeks ahead of departure). We urge the Office of Rail Regulation to evaluate carefully what further action is required to shore up current performance in the delivery of timetables and to guarantee consistent future delivery. (Paragraph 130)

44. In the event of future failures to meet the T-12 and T-9 obligations we believe train operators should be obliged to offer alternative solutions at advance purchase price levels to passengers who are unable to make advance purchase bookings within the time-frame normally applied. We also believe that the industry needs to consider carefully whether the T-9 timeframe is out-of date and booking services need to open at an earlier stage. (Paragraph 131)

Regulatory complexity and weakness

A complex structure of regulation

45. The abolition of the Strategic Rail Authority (SRA), as recommended by our predecessors, has helped to simplify the regulatory framework for the railways. In some areas, however, notably fares and ticketing, there remains scope for confusion. This complexity is only compounded by the fact that, in competition matters, the power to make judgements and enforcement decisions is shared between the Office of Rail Regulation (ORR) and the Office of Fair Trading. Despite reassurances from the ORR, we are not convinced that a regulatory framework of this level of complexity is effective and efficient, let alone intelligible for passengers who wish to raise issues or complaints. We urge the Government to look at the structure again, with specific reference to fares and ticketing, and to simplify the system. (Paragraph 136)

The lack of powers to control prices

46. The ability of the Office for Rail Regulation to pursue successfully exorbitant rail fares through the Competition Act is very limited. We therefore recommend that the Government review the regulation of rail fares and the definition of ‘dominant position’ within the rail sector. The Government needs to ensure that the power of the ORR to regulate exorbitant fares is meaningful. (Paragraph 141)

The consensual approach to regulation

47. It is vital that the Regulator should have the power and willingness to take effective remedial action swiftly where problems arise. Although T-12 compliance is now acceptable, the Office for Rail Regulation could have secured compliance by Network Rail more quickly through a more forceful approach to regulation. The Office for Rail Regulation must consider the efficacy of a tougher regulatory approach. (Paragraph 147)

Conclusions

48. The Government famously now invests £87 million per week in the railways. This level of public subsidy is given in recognition of the fact that the railways are a vital public service. The subsidy places an obligation on those who manage the railway to run it as a public service, and the railways should also be managed so that they support important economic, environmental and social objectives of the Government. (Paragraph 148)

49. Despite the unprecedented level of investment, neither passengers nor tax payers get value for money. The current system has had more than a decade to prove its worth, but in terms of value for money and user-friendliness it has proven to be an abject failure. Fares structures are chaotic and pricing absurd because they are determined by commercial considerations rather than considerations for the public good and the value for money of passengers and tax payers. This is not acceptable, and the current system is not fit for purpose. If the Government is committed to the railway, it must *at the very least* use regulation to ensure that passengers get value not only for their own money, but also for the subsidy contributed by the taxpayer every year. (Paragraph 149)
50. The Government has done some good work in terms of investment and the renewal of infrastructure of the railways in recent years, but it has failed to honour its obligation to passengers and tax-payers alike to ensure that the railways are affordable and user-friendly, that *all* passengers get good value for money when travelling by train. Although rail operators face competition from other transport modes, they usually operate as monopolies on individual rail routes. Both the Government and the industry are happy to draw parallels with the no-frills airline sector, and to see the booking systems and pricing structures of that sector take hold in the rail industry. But the railways are not like no-frills airlines, and neither should they become like airlines. Passengers use the railway for a much wider variety of journeys and situations than they would flights, and the railways are part of the country's fundamental and essential infrastructure for domestic travel. This is not a free market, and the Government must flex its muscles to ensure that passengers get a fair deal. It must ensure that a proper robust framework of regulation of fares is maintained, and there is an urgent need for the Office of Rail Regulation (ORR) to be granted better and clearer powers to pursue exorbitant or unfair pricing by train operating companies. (Paragraph 150)
51. We are astonished at the complacency and lack of strategic thinking displayed by a Government who have accepted all too readily a privatised railway which has put revenue and profit before passengers over the past decade. The railways need strategy and strong leadership, something which only the Government can provide. The abolition of the Strategic Rail Authority and the assumption by the Government of direction over rail policy and financing was a good first step. But more needs to be done. It is imperative that the Government now wakes up to its responsibilities and starts to rectify the current vacuum by incorporating a coherent policy on fares and ticketing structures into its forthcoming White Paper on Rail. (Paragraph 151)

Annex 1

The table below provides a list of the 22 current franchise operators in England, their franchisees as well as the start and end dates of current franchise agreements.¹⁶⁰

Franchise operator	Franchisee	Franchise start	Franchise end
Arriva Trains Wales	Arriva Trains Ltd.	8 December 2003	14 October 2018
C2c Rail Limited	National Express Group plc.	26 May 1996	25 May 2011
Central Trains Limited	National Express Group plc.	2 March 1997	31 March 2006 (but to be further extended to 11 November 2007)
Chiltern	M40 Trains Ltd.	3 March 2002 (with a shrink-back provision if future enhancements are not met. At present the minimum franchise term is confirmed at 12 years)	31 December 2021
Crosscountry Trains Limited	Virgin Rail Group Ltd.	5 January 1997	11 November 2007
First Great Western Link	Great Western Holdings Ltd. (First Group plc.)	1 April 2004	1 April 2006
First Great Western Trains	Great Western Holdings Ltd. (First Group plc.)	5 February 1996	1 April 2006
Gatwick Express	National Express Group plc.	28 April 1996	29 April 2011
GNER	Great North Eastern Rail Ltd.	1 May 2005	1 May 2012 (with an automatic further 3 years if targets are met)
Island Line	Stagecoach Group plc.	4 February 2004	4 February 2007
Midland Mainline	National Express Group plc.	28 April 1996	26 April 2008
Northern	Northern rail Ltd.	12 December 2004	18 September 2011
ONE	National Express Group plc.	1 April 2004	1 April 2014
Silverlink Train Services Limited	National Express Group plc.	6 February 1997	15 October 2006
South Eastern Trains	SET (Holdings) Ltd.	9 November 2003	1 April 2006
South West Trains	Stagecoach Group plc.	2 February 2004	2 February 2007
Southern	Govia Ltd.		
	12 May 2003	31 December 2009 (or an earlier date if notice served on franchise(e))	
Thameslink	Govia Ltd.	Original Franchise Agreement made on 10 February 1997 extended on 1 April 2004	Original termination date 1 April 2004 extended to 1 April 2006
Trans Pennine Express	First/Keolis TransPennine Holdings Ltd.	1 February 2004	1 February 2012 (with a possible five years extension of

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			not more than 65 reporting periods)
WAGN	National Express Group plc.	Original Franchise Agreement made on 5 December 1996 extended on 1 April 2004	Original termination date 1 April 2004 extended to 1 April 2006
Wessex (Interim franchise agreement)	National Express Group plc.	14 October 2001	31 March 2006
West Coast Trains Limited	Virgin Rail Group Ltd.	19 February 1997	31 March 2012

Annex 2

The table below sets out the percentage price rise for regulated and unregulated fares as of 1 January 2006 for every train operator in England and Wales.

Train Company	Average regulated fares rise	Average unregulated fares rise	Passengers Charter discount on season ticket renewals up to 17 December
Arriva Trains Wales	3.7%	5.4%	Cambrian services; North Wales rural; The Marches; Valley Lines – all 5% on monthly or longer renewals except Annual Season Ticket renewals (8%)
C2c	3.9%	4.4%	Nil
Central Trains	3.9%	6.4%	Inter-Urban Cross Country services 10%; Birmingham/Northampton services 5%
Chiltern Railways	3.9%	5.0%	Nil
First Great Western	3.9%	4.5%	5%
First Great Western Link	3.9%	4.5%	5%
First ScotRail	3.9%	3.7%	Central 5%; East 5%; Strathclyde PTE 5%
Gatwick Express	3.0%	5.6%	Nil
GNER	3.9%	8.8%	5%
Great Northern (WAGN)	3.9%	5.2%	Great Northern Inner - Annual Season renewals only 1%; Great Northern Outer - Annual Season renewals only 3%
Heathrow Express	N/A	3.6%	
Hull Trains	N/A	5.0%	
Island Line	Nil	Nil	
Merseyrail	2.9%	2.9%	
Midland Mainline	3.9%	6.0%	Nil
Northern	3.9%	3.9%	South & East Yorks Inter- Urban (Short Distance) 5%; Lancs & Cumbria Locals 5%; South & East Yorks Local (Long & Short Distance) 5%
'one'	3.8%	3.5%	Nil
Silverlink	3.9%	6.1%	Nil
South Eastern Trains	3.9%	3.0%	Metro 5%
Southern	3.9%	3.9%	South London Lines 5%
South West Trains	3.9%	4.9%	Main Line 5%
Thameslink	3.9%	2.9%	
TransPennine Express	3.9%	3.2%	
Virgin CrossCountry	3.9%	4.6%	5%
Virgin West Coast	3.9%	5.9%	West Midlands 5%; North West 5%; Scotland 5%
Wessex Trains	3.9%	3.9%	5% on monthly or longer renewals except Annual Season Ticket renewals (8%) on Bristol Commuter services and Wessex Main Line services

Formal minutes

Wednesday 10 May 2006

Members present:

Mrs Gwyneth Dunwoody , in the Chair

Clive Efford

Mrs Louise Ellman

Mr John Leech

Mr Lee Scott

Graham Stringer

Mr David Wilshire

The Committee deliberated.

Draft Report (*How fair are the fares? Train fares and ticketing*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 151 read and agreed to.

Resolved, That the report be the Sixth Report from the Committee to the House.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

Ordered, That the Chairman do make the Report to the House.

[Adjourned till Monday 15 May at half past three o'clock.]

Witnesses

Wednesday 23 November 2005

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Mr Bob Crow, General Secretary, and **Mr Ray Knight**, member, Council of Executives, National Union of Rail, Maritime and Transport Workers (RMT); and **Mr Stephen Joseph OBE**, Executive Director, and **Mr Dave Woracker**, Operational Research Analyst, Transport 2000 Ev 30

Mr Brian Cooke, Chairman, **Mr John Cartledge**, Deputy Chief Executive, London TravelWatch; **Mr Colin Foxall**, Chairman, **Mr Anthony Smith**, Chief Executive, Passenger Focus; **Mr Alan Meredith**, Chairman and **Mr Stephen Abbott**, Secretary, East Midlands Passenger Transport Users Forum Ev 61

Mr Chris Bolt, Chairman, and Mr Michael Beswick, Director of Rail Policy, Office of Rail Regulation; and **Mr Iain Coucher**, Deputy Chief Executive, and **Mr Robin Gisby**, Director of Operations and Customer Services, Network Rail Ev 73

Wednesday 30 November 2005

Mr David Mapp, Commercial Director, and Mr Paul Smith, Director (London), Association of Train Operating Companies (ATOC); **Mr Tony Collins**, Chief Executive, and **Mr Graham Leech**, Executive Director (Commercial), Virgin Trains; and Mr **Christopher Garnett**, Chief Executive, GNER Ev 96

Derek Twigg MP, Parliamentary Under Secretary of State, and **Mr Mark Smith**, Manager, Fares, Ticketing & Passenger Benefits Team, Department for Transport Ev 127

List of written evidence

01	National Union of Rail, Maritime and Transport Workers	Ev 1
02	National Union of Rail, Maritime and Transport Workers, Supplementary memorandum	Ev 21
03	Transport 2000	Ev 25
04	National Union of Rail, Maritime and Transport Workers, Supplementary memorandum	Ev 37
05	Transport 2000, Supplementary memorandum	Ev 38
06	London Travelwatch	Ev 52
07	Passenger Focus	Ev 54
08	East Midlands Passenger Transport Users' Forum	Ev 59
09	Office of Rail Regulation	Ev 68
10	Network Rail	Ev 71
11	Association of Train Operating Companies	Ev 79
12	Virgin Trains	Ev 84
13	Virgin Trains, Supplementary memorandum	Ev 90
14	GNER	Ev 91
15	Association of Train Operating Companies, Supplementary memorandum	Ev 107
16	GNER, Supplementary memorandum	Ev 115
17	Virgin Trains, Supplementary memorandum	Ev 119
18	Department for Transport	Ev 122
19	Department for Transport, Supplementary memorandum	Ev 135
20	Department for Transport, Supplementary memorandum	Ev 137
21	International Air Rail Organisation	Ev 138
22	Mr Barry S Doe	Ev 140
23	Transport Watch UK	Ev 142
24	The Railway Consultancy Ltd	Ev 145
25	Railfuture Northeast	Ev 147
26	Mr Stuart Derwent	Ev 151
27	Institution of Civil Engineers	Ev 152
28	Railfuture	Ev 154
29	Disabled Persons Transport Advisory Committee	Ev 157
30	Cycling Touring Club	Ev 160
31	H G Price	Ev 162
32	Ms Joyce Glasser	Ev 163
33	Merseytravel	Ev 164
34	North Devon Rail Users Group	Ev 167
35	Mr Simon Norton	Ev 169
36	The Rail Consultancy Ltd, Supplementary memorandum	Ev 171
37	Ms Joyce Glasser, Supplementary memorandum	Ev 172
38	Grand Central Railway Company Limited	Ev 173
39	Transport for London	Ev 174
40	Correspondence between Ruskins Sport College & Virgin Trains	Ev 175
41	Virgin Trains, Supplementary memorandum	Ev 176

Reports from the Transport Committee since 2005

Session 2005–06

First Special Report	The Performance of the London Underground: Government Response to the Committee's 6th Report of Session 2004-05	HC 431
Second Special Report	The Departmental Annual Report 2004: Government Response to the Committee's 4th Report of Session 2004-05	HC 432
Third Special Report	Integrated Transport: the future of light rail and modern trams in the UK: Government Response to the Committee's 10th Report of session 2004-05	HC 526
Fourth Special Report	Search and Rescue: Government Response to the Committee's 8th Report of Session 2004-05	HC 586
Fifth Special Report	Rural Railways: Government Response to the Committee's 5th Report of Session 2004-05	HC 587
Sixth Special Report	Tonnage Tax: Government Response to the Committee's 2nd Report of Session 2004-05	HC 611
Seventh Special Report	Financial Protection for Air Travellers: Government and Civil Aviation Authority Responses to the Committee's 15th Report of Session 2003-04	HC 639
First Report	UK Transport Security – preliminary report	HC 637
Second Report	Financial Protection for Air Travellers: Second Report Abandoning Effective Protection	HC 636
Eighth Special Report	European Community Competence and Transport: Government Response to the Committee's Ninth Report of Session 2004–05	HC 976
Third Report	Going for Gold: Transport for London's 2012 Olympic Games	HC 588
Ninth Special Report	Financial Protection for Air Travellers: Abandoning Effective Protection: Government and Civil Aviation Authority Responses to the Committee's Second Report of Session 2005–06	HC 996
Fourth Report	Departmental Annual Report 2005	HC 684