

## **STRATEGIC RAIL AUTHORITY - FUTURE FARES POLICY**

### **1 SUMMARY**

- 1.1 This report seeks Members' views on the future fares policy for Railways to take effect from 1<sup>st</sup> January 2004.

### **2 INTRODUCTION**

- 2.1 The Strategic Rail Authority (SRA) has, through its regulatory function, a duty to ensure that fares are reasonable. Fares regulation was introduced in 1996 and since then there has been a change of Government. The SRA is now looking to see how fares policy might best support the wider objectives in the Government's 10 year transport plan. A copy of the consultation document has been placed in the Members Room.
- 2.2 The specific aspects of transport policy relevant to fares policy are:
- to increase rail use from 2000 levels by 50% by 2010, with investment in infrastructure and capacity, whilst at the same time securing improvements in punctuality and reliability
  - to reduce overcrowding on trains to meet SRA standards - no passengers standing for journeys of more than 20 minutes and no more than 30% for shorter journeys.
- 2.3 The SRA does not currently try and regulate all fares, but rather concentrates on protecting passengers from excessive pricing in areas where rail transport has a high degree of market power.

### **3 OPTIONS FOR REGULATION**

- 3.1 In terms of the scope of regulation, the SRA identifies various options:-
- Continuing to regulate the present range of fares
  - Extending regulation to include long-distance Standard Open Singles and Returns on all or selected routes
  - Extending regulation to include other ticket types such as Cheap Day Returns, or all or selected routes
  - Reducing regulation to cover just commuter fares, where a high level of market power can be proven
  - Increasing or reducing the regulation of ticket conditions, for example Saver restrictions.

- 3.2 The SRA believes that regulation for most commuter fares will continue, particularly in London and the South East. On the other hand, it is thought unlikely that off peak fares on commuter routes need to be regulated. The questions to consider in respect of the scope of regulation are included in Section 1 of Appendix 1 to this report.
- 3.3 On the basis that fare regulation will continue, the next important question to consider must be the appropriate level for those fares. (See Appendix 1 Section 2). The various options that might be considered are:-
- continuing to regulate all regulated fares at RPI - 1%
  - changing the permitted increase to RPI for all regulated fares
  - changing the permitted increase to RPI+x% or RPI-x%
  - changing the permitted increase to (for example) RPI for commuter fares, but maintaining RPI-1% for other fares such as Savers
  - varying the permitted increase on each route according to the level of overcrowding or spare capacity
  - allowing an increase over and above the basic policy where investment has delivered demonstrable improvements for passengers
- 3.4 There is a need for a link between fares and the performance of the operators. (See Appendix 1 Section 3). The options to consider are:-
- continue to link fares with performance
  - link fares with performance, but through an alternative regime, perhaps based on absolute levels of performance, with a linkage to resolve the 'cap' problem. Such a regime might cover the same range of regulated fares as the existing regime, or a different range
  - discontinue any automatic link between fares and train performance, use passenger's charters to compensate passengers for poor performance and consider fares increases in specific cases where a particular quality improvement has been delivered.
- 3.5 Finally, the SRA raises a series of questions about the specific mechanics of fare regulation. These are included in Sections 4, 5, 6 & 7 of Appendix 1.

#### **4 COMMENTS**

- 4.1 Clearly, the regulation of fares is a complex issue, but an important one for the residents of the District, given the significant levels of commuting to work, especially to London.

- 4.2 It would seem that there is justification for continued controls of the fares used by commuters and Members will need to consider whether this arrangement merits support.
- 4.3 If regulation does continue, then there is the thorny question of the level of intervention and the arrangements for allowing reasonable increases over time. The possible options are listed in paragraph 3.3 above.

**5 RECOMMENDATION**

That Members consider the issues raised in the SRA Consultation Paper on Fare Regulation and determine their views on this matter.  
(HPS)

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**Background Papers:**

Strategic Rail Authority Consultation - "Future Fares Policy - Seeking Your Views" - July 2002.

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**APPENDIX 1**

**QUESTIONS FOR CONSULTATION**

**SECTION 1**

Do you think the balance between fares that are regulated and fares which are not regulated is currently correct?

If you think that we should regulate a different range of fares, which fares should be regulated and why?

If you think the range of regulated fares should be increased, which additional ticket types do you think should be regulated, and on which routes? Tell us why you think these fares should be regulated and at what price level you think they should be set - for example, at the current prices or a particular historic price, How should the cost of increased regulation be paid for and what benefits might justify this cost? What will be the effect on overcrowding?

If you think the range of regulated fares should be reduced, tell us which fares should cease to be regulated and why. What are the likely effects of this reduction in regulation?

Is the regulation applied to ticket restrictions (for example, Savers) sufficient and, if not, would increasing regulation of ticket restrictions be good value for money?

**SECTION 2**

How should the level of regulated fares be determined and how should fares change each year with inflation?

If you think that an increase in fares should be permitted to fund investment, what circumstances might justify what scale of increase? Should an increase only be applied after the investment has taken place, or are there circumstances when it might be applied beforehand?

Should fares policy be used to ease overcrowding and, if so, how?

Should the same policy apply to all fares in all areas, or should different policies apply in different areas or to different fares to reflect capacity constraints, the need for investment, or the delivery of quality improvements?

What are the problems (if any) caused by differences in fares policy between the SRA, TFL and PTE's and how might these be resolved?

### **SECTION 3**

Should fares continue to be linked to train service performance through the FIAP regime? If so, how should we deal with the problems highlighted above?

Should fares be linked to performance through an alternative regime, perhaps based on absolute levels of performance with a linkage to solve the 'cap' problem? If yes, which services and ticket types should it cover and how might it work?

Should a link between fares and performance be discontinued? If yes, how should passengers be compensated for poor performance? Are the current passenger's charter arrangements sufficient for this on all operators, or would these have to be improved first? How should we handle the issue of fares levels which are currently depressed by poor performance and the fares/performance link? For replaced franchises, do you think performance incentive payments need to be increased to compensate for the effect of losing this link?

Are there other aspects of train service quality that should be linked to fares?

### **SECTION 4**

Should we continue to regulate fares through a mixture of fares baskets and individually protected fares, or should one or other mechanism be adopted for all regulated fares? What implications would any change have for passengers and operators?

What fares should be included in fares baskets - all fares from which the operator takes any share of the revenue (as now), or only the fares set by that operator? Should Travelcards and other multi-modal fares be excluded from fares baskets?

Should the weightings within fares baskets remain at the 1995 levels, be updated as a 'one-off' at regular intervals, or when certain circumstances arise?

Should the caps on individual fares within fares baskets be set closer to the overall basket cap to protect passengers from excessive rises in individual fares? If yes, what should the cap on individual fares within baskets be in relation to the basket cap?

**SECTION 5**

What problems, if any, has the interaction of different fares regimes caused in practice? What do you think could be done to improve the way different regimes interact?

**SECTION 6**

If you represent a train operator, how well do you think the mechanics and processes involved in fares regulation work and how might these be improved? Is sufficient guidance provided and how might this be improved?

**SECTION 7**

Do you think that the complexity of the fares structure is a significant problem or not? Why?

How might we resolve the conflict between offering passengers a wide choice of fares and making the range of fares understandable? How might we resolve the conflict between simplifying fares and preserving operators' commercial freedom?

Should the SRA become involved directly, or should operators be allowed to address this issue for themselves?