

# Board meeting 26.02.19

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## Secretariat memorandum

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LTW599

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Pay-as-you-go on rail consultation by Department for Transport (DfT) and 'Easier fares for all' document from the Rail Delivery Group (RDG)

### 1 Purpose of report

- 1.1. To recommend to members a response to this recent consultation by the DfT and to note the recent publication by the RDG of its 'Easier fares for all' policy document.

### 2 Recommendation

- 2.1. Members are asked to agree a response to the DfT consultation that London TravelWatch is supportive of the proposals subject to detailed changes to maximise passenger benefit and reduce the complexity of the ticketing system.
- 2.2. Members are asked to note the 'Easier fares for all' policy document by the RDG acknowledging that this reflects many of London TravelWatch's previous concerns with the fares and ticketing system on the National Rail network.

### 3 Background

- 3.1. On 7<sup>th</sup> February 2019 the DfT launched a consultation on a proposed extension to the Pay-As-You-Go (PAYG) travel area in London and the South East of England. The consultation can be found at <https://www.gov.uk/government/consultations/pay-as-you-go-on-rail>
- 3.2. London TravelWatch has long argued that the PAYG travel area should be expanded to include the wider travel to work area around London. This consultation document sets out the DfT's proposals to do this. As such it represents a potentially large benefit to passengers and it highlights many of the arguments that London TravelWatch has previously deployed in favour of change, and reflects our sustained engagement with DfT officials and Ministers in recent years.
- 3.3. The consultation recognises that there is a need to make fares more consistent with each other and increase transparency with passengers. The proposal would enable the many inconsistencies in fares and ticketing in outer London and the wider commuter area that have previously been highlighted by London TravelWatch to be addressed.

- 3.4. On the 18<sup>th</sup> February 2019 the RDG published 'Easier fares for all'<sup>1</sup> which is a response to its previous consultation on reform of fares. This document sets out proposals for reform of the fares system that would be an essential prerequisite to the wider introduction of PAYG as envisaged by the DfT in its' consultation.

#### **4 What area do the PAYG proposals cover?**

- 4.1. The consultation proposes a PAYG area that would extend to cover all of London's airports (including Southend) as per the recommendations of the London TravelWatch report *Way to go; improving public transport access to London's airports*, and most stations within a 30 to 40 mile radius of central London. This would cover the requests of all current public campaigns for extension of Oyster / Contactless ticketing to areas such as Spelthorne, Sevenoaks and Reigate.
- 4.2. The consultation also suggests an alternative more extensive PAYG area that could include Brighton, Oxford, Milton Keynes, Bedford and Cambridge.

#### **5 What are the practical implications for passengers of the PAYG proposals?**

- 5.1. The consultation does not commit to the use of a particular technological solution but suggests that Transport for London's (TfL) contactless bank card payment system could be the basis for this extension of PAYG.
- 5.2. The complexity of the fares system and the distances involved would mean changes to fare levels, and an adoption of a system of zonal fares would be necessary for the implementation of this scheme. This would mean that some fares may need to be increased, some reduced and some remain the same. This is where the RDG proposal for fares reform becomes a necessary part of the process in order for PAYG to proceed.
- 5.3. However, based on previous experience of implementing zonal fares in London in 2007, extension of Oyster PAYG to National Rail in London in 2010 and the introduction of contactless bank cards in 2014, passengers will benefit from this change overall. The introduction of these changes encouraged greater use of the rail network as fares became more transparent and easier for passengers to understand. Financial protections included in changes to operators' franchises at the time of each change have (not to the knowledge of London TravelWatch) ever been required to be activated as revenue has grown faster.
- 5.4. The parameters of the scheme also need to be carefully examined to ensure that anomalies in routing are recognised or not created in any new scheme e.g. Luton station is included but Leagrave in the same urban area is not. Edenbridge station is included in the scheme but Edenbridge Town is not, even though both stations are currently treated as one station for ticketing purposes (Edenbridge Stations), and they are classed as an 'out of station' interchange for travelling between stations on the Oxted route and those on the Redhill – Tonbridge route. Similarly Farnborough Main is excluded from the scheme, but Farnborough North is included. These two stations are also 'out of station' interchanges that provide connectivity between major intersecting routes used already by passengers.

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<sup>1</sup> [https://www.raildeliverygroup.com/files/Publications/2019-02\\_easier\\_fares\\_for\\_all.pdf](https://www.raildeliverygroup.com/files/Publications/2019-02_easier_fares_for_all.pdf)

- 5.5. Similarly, the consultation is non-committal as to how either railcards, season ticket discounts or concessionary fares such as Freedom Passes or Oyster 60+ would be handled.
- 5.6. The current Oyster system operated by TfL is technologically 'old' and at the limit of its capacity. It is capable of incorporating discounts relating to railcards and Travelcard season tickets. However, the parallel contactless bank card system currently has no ability to incorporate railcard discounts or attach Travelcard season tickets. It is this system that is most likely to form the basis of any extension of PAYG.
- 5.7. Freedom Passes are concessionary passes issued by London boroughs to eligible elderly or disabled persons for use on the transport network in London. The technology used is the same as Oyster but there is no facility for additional PAYG journeys outside of the current area of validity. This means that passengers wishing to use some services must instead purchase extension paper tickets or use an alternative Oyster card / contactless bank card at a higher cost e.g. Oyster PAYG is available to Gatwick Airport, but a Freedom Pass is only valid to Coulsdon South. The solution to this issue would be to remove the block on additional PAYG on Freedom Passes. This would bring alignment with other concessionary passes such as TfL's Zipcard for under 16s that does have the ability to include PAYG for out of area or time / mode of validity that the Freedom Pass does not currently allow access to.

## **6 Easier fares for all**

- 6.1. This document by the RDG sets out the results of a consultation it conducted jointly with Transport Focus on the fares and ticketing system and processes that apply to the National Rail network. It then proposes a number of reforms to this system and the regulation that sits behind it.
- 6.2. Currently, the fares and ticketing system is governed by regulation and the commercial needs of train operating companies.
- 6.3. Regulation by the DfT applies normally to short to medium distance 'anytime' fares, including single, same day return and season tickets: and to long-distance off-peak single and period return fares. The DfT limits by statute the amount these fares can be increased by a mechanism that takes into account inflation and also how much an individual train operator gets in revenue from a given set of fares over time. (This is called a fares basket).
- 6.4. All other fares are technically set by train operators on a commercial basis and these include off-peak return fares and advanced purchase tickets. However, over the past 25 years of franchised operation many of these fares have effectively been 'capped' by the limitations of change placed on train operators for the equivalent regulated fare. The complexity of the system, such as the multiplicity of companies setting fares has resulted in significant numbers of anomalies such as the practice of 'split ticketing' whereby two or more tickets may be cheaper in cost than the cost of one through journey.

- 6.5. The document proposes wholesale reform of the entire fares and ticketing system based on the following principles:-
- Value for money
  - Fair pricing
  - Simplicity
  - Flexibility
  - Assurance
- 6.6 This would be achieved in two stages: firstly by DfT and RDG agreeing a method of reform and replacing the Ticketing and Settlement Agreement (TSA). This would then enable a new system of regulation and pricing that could then be written into franchise agreements.
- 6.7 These changes then allow:-
- the 'unbundling' of fares by moving to a basic unit of pricing based on single fares, with algorithmic rules then encouraging the best combinations of single leg fares for return, through and multi-journey tickets. This is the system that currently applies in the London Travelcard / Oyster PAYG area and would effectively bring other train journeys in line with the current practice in London.
  - Train companies to create discounted (advance), premium (first class), train specific and personalised variations of these fares e.g. charging less at quieter periods or for reduced flexibility in time of travel.
  - Consumer protection would come through regulation of the price level of the single basic fare. This would include for example regulating the maximum price paid when travelling over a seven day period rather than seven day season tickets. This is the same principle that applies in London with the capping of PAYG on a daily and weekly basis.
- 6.8 The benefits to passengers would include:-
- A simplified buying process (and the more widespread use of PAYG)
  - Ticketing to reflect modern employment practices such as part time working and working from home or remotely.
  - More control over the decision making process when deciding how to travel.
  - Flexibility to change their travel plans with transparent costs.
  - Hassle free refund mechanisms such as automated delay repay compensation.
  - More affordable 'walk-up' on the day fares.

- A guarantee that they have been charged the correct fare for their journey (as is the case in London at present with the Oyster PAYG system)
- No need to 'split tickets' in order to obtain the best value fare for a journey.

## 7 Discussion

7.1. The RDG's proposals have much to commend them, as they propose changes that London TravelWatch has previously advocated, and it is noticeable that it proposes to bring fares policy and practice outside of London in line with the established policy and practice within London.

7.2. However, there are areas of detail that need to be explored in any implementation of the RDG proposals:-

- The continuation and availability of railcards for specific types of passenger and other discounts (and rewards for regular users such as Goldcard discounts for Annual Season Ticket holders).
- The replacement of regulation of ticket office hours (currently under schedule 17 of the TSA), that places specific obligations on London TravelWatch to represent the interests of passengers in respect of ticket office hours and access to fares and tickets.

7.3 Previous London TravelWatch research reports covering this topic include:

Annual Season Tickets: What price loyalty?

[http://www.londontravelwatch.org.uk/documents/get\\_lob?id=4438&field=file](http://www.londontravelwatch.org.uk/documents/get_lob?id=4438&field=file)

Living on the edge: the impact of travel costs on low-income workers living in outer London

[http://www.londontravelwatch.org.uk/documents/get\\_lob?id=4100&age=&field=file](http://www.londontravelwatch.org.uk/documents/get_lob?id=4100&age=&field=file)

Value for money on London Overground: what passengers think?

[http://www.londontravelwatch.org.uk/documents/get\\_lob?id=3896&field=file](http://www.londontravelwatch.org.uk/documents/get_lob?id=3896&field=file)

Value for money on London's transport services: what consumers think?

[http://www.londontravelwatch.org.uk/documents/get\\_lob?id=3734&field=file](http://www.londontravelwatch.org.uk/documents/get_lob?id=3734&field=file)

Passengers' ticket purchasing and journey experiences

[http://www.londontravelwatch.org.uk/documents/get\\_lob?id=3710&field=file](http://www.londontravelwatch.org.uk/documents/get_lob?id=3710&field=file) .

7.4 London TravelWatch in its recent decision on the application by Arriva Rail London to close 51 London Overground ticket offices, called for reform of the process for regulating ticket offices under schedule 17 of the TSA. These proposals provide an opportunity for reform to take place in the light of London TravelWatch's concerns and for us to influence a replacement process.

## **8 London TravelWatch priority**

- 8.1. The proposals consulted on by the DfT will benefit a large proportion of passengers using the National Rail network in the London and South East area, and therefore responding to this consultation is a high priority for London TravelWatch.
- 8.2. The reforms of fares and ticketing proposed by the RDG will also benefit a large proportion of passengers using the National Rail network in the London and South East area, and therefore responding to this consultation is a high priority for London TravelWatch.

## **9 Equalities and inclusion implications**

- 9.1. There are no equalities and inclusion implications arising from this report

## **10 Legal powers**

- 8.1 Section 248 of the Greater London Authority Act 1999 places upon London TravelWatch (as the London Transport Users Committee) a duty to consider - and where it appears to the Committee to be desirable, to make recommendations with respect to - any matter affecting the functions of the Greater London Authority or Transport for London which relate to transport (other than of freight).
- 8.2 Section 252A of the same Act (as amended by Schedule 6 of the Railways Act 2005) places a similar duty upon the Committee to keep under review matters affecting the interests of the public in relation to railway passenger and station services provided wholly or partly within the London railway area, and to make representations about them to such persons as it thinks appropriate.

## **11 Financial implications**

- 11.1. There are no financial implications for London TravelWatch arising from this report

## **Appendix A – summary of questions asked in the DfT consultation on the extension of PAYG.**

- Q1 – Do you think that the price you pay to travel by rail should relate more closely to the amount that you travel?
- Q2 – Do you think that there should be more options for people who work part-time?
- Q3 – Please explain why
- Q4 – Do you agree with the proposals as to how a PAYG travel area would work?
- Q5 – Please explain why
- Q6 – Which smart ticketing technology, or technologies, would you prefer to use? (the current options are contactless bank card, dedicated smartcards for transport and the Oyster card)
- Q7 – Please explain why
- Q8 – Do you agree with these principles for deciding which stations a PAYG scheme should cover?
- Q9 – Please explain why
- Q10 – Do you agree with the proposed PAYG travel area?
- Q11 – Please explain why
- Q12 – Would our plans for PAYG encourage you to travel more by rail?
- Q13 – Please explain why
- Q14 – What is the highest amount you would be comfortable in spending to make a rail journey by PAYG? Should there be a cap?
- Q15 – Do you think that we should extend PAYG further away from London to busy destinations such as Brighton, Cambridge, Milton Keynes or Oxford?
- Q16 - Should any rollout be phased?
- Q17 – Please explain why
- Q18 – Do you think passengers should be able to mix-and-match peak and off-peak fares?
- Q19 – Do you think that single and return fares should be re-priced so that it is always cheaper to travel at quieter times?
- Q20 – Please explain why
- Q21 – Do you think the amount that passengers pay using PAYG should be capped so that they know how much in total they will be charged?
- Q22 – Please explain why
- Q23 – For routes where it is cheaper to buy a weekly season ticket than five peak return tickets, do you think that daily prices should decrease and weekly prices, increase?
- Q24- Do you have any other suggestions for making fares fairer for part-time commuters?
- Q25 - Should there be both PAYG as well as weekly tickets available for the same routes?
- Q26 – Please explain why
- Q27 – Where two or more operators cover the same routes, should PAYG fares be the same for all such operators?
- Q28 – Should Super Off Peak and Peak tickets have the same price?
- Q29 – Please explain why
- Q30 – Do you have any other suggestions for making fares simpler?
- Q31 – Should fares for PAYG travel be cheaper?
- Q32 - (Alternatively), would you be willing to pay more for PAYG as long as any refund for delays is automatically credited to you, when you are entitled to it?
- Q33 – Please explain why

Q34– Would you support a move to zonal fares?

Q35 – Please explain why

Q36 – What other changes to fares should we consider?

Q37 – Please explain why