
Secretariat memorandum

Author: Tim Bellenger

Agenda item 10

LTW 277

Drafted 9.12.08

Fares changes in January 2009

1 Purpose of the report

- 1.1 To provide a summary of the changes to TfL and National Rail fares which will come into effect on 2 January 2009.

2 Information

- 2.1 Transport for London and the National Rail operators will implement the main changes to fares and ticketing arrangements for 2009 on 2 January.

National Rail

- 2.2 Members should be aware of the concept of 'fares baskets' when considering these changes. When train operators say that they will be increasing fares by x percent overall, it is to the 'fares basket' that they are referring, not to individual fares between individual stations or on particular routes.
- 2.3 The fares basket consists of a number of elements, namely the cost of individual tickets, the number of those tickets sold, and hence the total revenue they produce. Regulated fares (such as peak time or Travelcard products) are included in the fares basket, but unregulated fares and tickets are not – these can be changed to suit the commercial needs of operators as they see fit. The percentage by which operators are allowed to increase their fares baskets is set by the Retail Price Index (RPI) for July each year plus one per cent (except Southeastern where the agreed increase in its fares is RPI plus three per cent).
- 2.4 If applied uniformly, this formula would mean that fares would not be in round numbers (i.e. multiples of 10p), so operators will round some fares down and others up. They are permitted to do this to individual regulated fares up to RPI plus nine per cent. Above that level they must seek a derogation from the Department for Transport. This allows operators some flexibility to vary fares if they feel that either a lower increase or a reduction in certain fares would be in their commercial interest (e.g. to rebalance demand between nearby stations).
- 2.5 Since 2007 zonal fares have applied to National Rail journeys in London, and for daily tickets these fares are increased by RPI plus one per cent. In the case of point to point

rail-only season tickets within London, there is a phased introduction of zonal pricing between 2007 and 2010 to lessen the impact of what would have been some substantial increases (such as on Southeastern). In some areas this has also meant that point to point season ticket prices have remained constant since 2007 or only increased very marginally. The change to zonal fares was recommended in our 'Fare deals for London' research report, and London TravelWatch has supported this change (which is necessary to allow Oyster pay as you go to be introduced generally on National Rail routes).

- 2.6 National Rail zonal fares in London will see an increase in the 'basket' of RPI plus one percent for daily (single/return) fares, with the highest increase being 9.4% for off-peak journeys covering zones 1 and 2, while the lowest increase is 4.2% for a single journey covering zones 1 to 6. These changes are an interim arrangement until 20 September 2009 when Oyster pay as you go is due to be introduced across the National Rail network in London. At this point a fare structure based on the peak/off-peak principle that is being introduced on the Underground, Overground and Docklands Light Railway will be put in place. However, the levels of fare will differ from those on the TfL modes, and when this introduced some passengers who currently buy daily, point to point or Travelcard season tickets may be better off using Oyster pay as you go.
- 2.7 Fares for journeys to or from the London area, and wholly outside, it will rise on average by RPI plus one per cent for regulated fares and on average by seven per cent for unregulated fares. But these are part of fares 'baskets' and so individual fares may go up to a greater or lesser extent.
- 2.8 It is also worthy of note that a number of changes will be made to the restrictions on the use of off-peak and advance purchase tickets, such as those on Virgin Trains from London to North Wales and on the West Coast Line between Warrington and Glasgow. These are closely related to the completion of the upgrade of the West Coast main line and the introduction of enhanced frequencies and reduced journey times

Transport for London (TfL)

- 2.9 Travelcard prices (which are multi-modal and form part of National Rail operators' fares baskets) will rise by an average of RPI plus one per cent. The highest percentage increase is for a one-day zones 1 to 3 adult peak Travelcard which will rise by 7.5%. The lowest percentage increase is for a four zone (not zone 1) adult weekly Travelcard which will rise by 5.8%.
- 2.10 Underground, Overground and Docklands Light Railway single fares will change substantially as a result of the move to peak- and off-peak pricing for Oyster pay as you go fares. Peak fares will apply from 06.30 to 09.30 and 16.00 to 19.00 Monday to Friday (excluding public holidays). This means that for journeys between 09.30 and 16.00 all journeys except those wholly within zone 1 will be reduced in price. Conversely, journeys between 06.30 and 07.00 will increase in price. Some passengers who currently purchase Travelcards may find it cheaper to switch to using Oyster pay as you go. Peak Oyster pay as you go fares will rise by up to 10%. Cash fares will increase on all journeys not including zone 1.

- 2.11 Bus and tram Oyster Pay As You Go fares will increase from 90p per trip to £1. Cash fares will remain unchanged, except for the One Day Bus Pass which will increase from £3.50 to £3.80.
- 2.12 The Mayor will introduce an extension to the times of operation of the Freedom Pass on TfL-controlled modes, so that free travel will be allowed at all times with no restrictions. However, there will be no change in relation to the time restriction on Freedom Pass use on the National Rail network, except where there is an agreement that London Underground fares and conditions apply (e.g. between Finsbury Park and Moorgate).

Discussion

- 2.13 For journeys wholly within London it is clear that passengers – particularly those who purchase tickets valid for more than one day - should be advised to consider carefully whether the ticket that they currently purchase is still the most appropriate for their journey, especially if there is the possibility that Oyster pay as you go might give the best value for money in the longer term.

3 Equalities and inclusion implications

- 3.1 A high proportion of travellers in London are commuters making non-discretionary journeys, or have the benefit of free travel (those under 18, over 60, etc). So the London market is relatively price insensitive, and real price increases in recent years have not been sufficient to suppress rising demand. Only a sub-set of users for whom affordability is a major issue, and who have alternative means of travel available, are likely to be severely affected by such changes – a fact which has made it difficult for London TravelWatch to resist them in recent years. Even wide divergences in the pricing trends for public and private (motorised) transport have had only limited effect, because this choice is more often determined by journey time than price, and is heavily affected by non-price factors such as parking availability or the need to carry loads (such as shopping).

4 Financial implications

- 4.1 The contents of this report have no specific financial implications for London TravelWatch.

5 Legal powers

- 5.1 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 it 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). Section 252A of the Greater London Authority Act 1999 places a duty upon London TravelWatch (as the London Transport Users 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.

6 Recommendation

6.1 That the report is received for information.