

Report to the Executive for Decision 4 November 2002

Portfolio: Planning and Transportation
Subject: **Strategic Rail Authority Consultation - Future Fares Policy**
Report of: Director of Planning and Transportation
Strategy/Policy: None
**Corporate Aim/
Objective:** To promote the economic success of the Borough/ To maintain and develop an effective infrastructure
To support the people and communities of the Borough to take full part in society/ To help local communities

Purpose: The report seeks the Executive's approval to comments of the Planning and Transportation Overview Panel Working Group to the Strategic Rail Authority's consultation on future fares policy.

Executive summary:

The Strategic Rail Authority (SRA) is seeking views on its Future Fares Policy through a consultation document. The Planning and Transportation Overview Panel formed a working group to consider in detail the consultation document and suggest a response to the SRA. The SRA required the response by 11 October, but agreed to the comments being sent informally by that date with the formal comments being forwarded after the Executive had considered the matter.

Recommendation

That the Executive endorses the recommended response to the Strategic Rail Authority attached as Appendix A to the briefing paper.

Reason:

For the benefit of the people of Fareham.

Cost of proposals:

Nil

Appendices: **A: Draft response to the Strategic Rail Authority's consultation on future fares strategy.**

Background papers:

Strategic Rail Authority Consultation: Future Fares Policy – seeking your views. July 2002

Executive Briefing Paper

Date: 4 November 2002

Subject: Strategic Rail Authority Consultation - Future Fares Policy

Briefing by: Director of Planning and Transportation

Portfolio: Planning and Transportation

SUPPORTING INFORMATION

Introduction

1. The Strategic Rail Authority (SRA) is seeking views on its future fares policy through a consultation document. It required a response by 11 October, but agreed to the comments being sent informally by that date with the formal comments being forwarded after the Executive had considered the matter. The Planning and Transportation Overview Panel formed a working group to consider the consultation document in detail and suggest a response to the SRA.
2. In the consultation document, the SRA sets out its duties and objectives, the current fares policy, the case for reviewing fares and some of the background issues for consideration. In addition, the matters of regulation, performance, and fares structures are explored along with mechanisms for linking performance and regulation. (A copy of the regulation document has been placed in each of the group rooms, and is available on the links shown [here](#) or from Civic Offices floor 5 reception)
3. The Working Group met on 7 October 2002 to consider the document and draft a response to the SRA consultation. The informal response that the Working Group agreed is included as Appendix A to this report. Members are asked to consider and endorse the response.

Working Group Views

4. **Response:** The overall strategy should be in accordance with the government's White Paper on Transport - 'A New Deal for Transport: Better for Everyone'. It should support the aim to provide a realistic alternative choice to travel by means other than the motor car, namely rail. There is a need also to influence the demand for unnecessary long distance commuter travel whilst encouraging shorter journeys in congested urban areas. There are socio-economic and environmental dimensions to fares structures in addition to the commercial considerations in respect of community accessibility.

- **Officer comment on response:** Any transport strategy developed should be in accord with the governments policy set out in the recent white paper on transport. Public transport is the main alternative choice for journeys of more than a few miles for most people. However all modes of travel are under pressure in peak hours. Part of any overall strategy should be to encourage commuters to travel less mileage annually in their trips to work to help ease congestion. A reduction in frequency or length of journeys would achieve this. The commercial pressures on the rail operators need to be balanced with the service provided to the community and the environmental implications of not encouraging people to use alternative means of travel than the car. Fare regulation should assist in enabling community accessibility to facilities and services.
5. **Response:** The current regulation of fares would benefit from some changes. The regulation may be different for long distance journeys compared to shorter distance or local journeys. The balance of regulation should be such that the peak demand for travel is spread over a wider time band by stepped fares leading to the time when the network cards and fares kick in. By this means there would be encouragement for the peak hour use to be increased. Long distance commuter fares could stand a degree of increase through reduced regulation.
- **Officer comment on response:** Regulation of fares can influence a traveller's decision on mode and time of travel. For example, by carefully stepping the fare regulation either side of the peak hours, the fares could encourage commuters to travel later or earlier thus spreading the peak travel period. This could result in a greater take up of rail travel for commuting. However it may be beneficial to discourage growth in long distance commuting as mention in paragraph 4 above by adjusting the fare regulation to allow a rise in fares for these journeys.
6. **Response:** The market could stand a degree of increase in fares on the most popular routes in favour of the less popular ones to assist in increasing patronage. The regulation could allow for fares to increase on popular long distance routes to provide advance funding of improvements, but on shorter more local routes that may not be practical, or desirable. In these cases the funding of improvements should be collected through fares upon delivery of the improvements. The regulation preferred would be to limit increases to between RPI -2% and RPI+2%. The increases varying depending on the above factors.
- **Officer comment on response:** The law of supply and demand could be allowed to have a greater influence on fare levels where routes are well used. This should be balanced with fare regulation to provide encouragement for travel on less popular routes. Advance funding of improvements from fares could reduce patronage and therefore that would need to be considered carefully. Longer distance popular routes could probably stand a degree of pre-funding improvements. However where routes are less popular or of shorter distance, the additional cost of fares to encompass advance funding may affect patronage.
7. **Response:** In the interests of travel in London, those special fares should be kept, but the effect of this in combination with longer distance fares needs to be carefully thought out to reduce the instances of 'railheading'. Local fares

outside London should be subject to local incentives to encourage rail travel, and network cards improved upon as they help to increase patronage in the off peak periods. In addition, cheap day returns should be regulated particularly in areas with a high level of traffic congestion such as Fareham to Portsmouth or Southampton.

- **Officer comment on response:** Rail travel can provide an effective alternative in local urban areas and between adjacent urban areas. The fare regulation should be structured to encourage journeys of this nature through network cards or other local incentives. For example the regulation of fare increases for cheap day returns and network cards on journeys to or between Southampton and Portsmouth and in and around London could encourage travel by rail for these local journeys. Fare structures may however encourage travellers to drive to a station with discounted fares to travel into an urban area if fares are lower in the urban area. This is known as 'railheading' and should be discouraged where possible. It is most prevalent in journeys to central London where fares in the City are suppressed to a low level because of poor performance. The lower fares result in motorists travelling to places such as Hounslow, or Richmond to access central London by rail.
8. **Response:** Fares need to be simplified and published in a unified form with fares for all operators readily available to the traveller to enable a choice of operators/routes/speeds at the point of purchase.
- **Officer comment on response:** Complicated fare tables and operators not advising travellers of alternative services discourage train travel. The potential passenger should be provided with all available routes, timings and fares when making the decision to purchase a ticket whether at point of travel or when booking in advance by telephone or on the internet.
9. **Response:** A link in fares to performance and some form of recompense to travellers for poor performance are seen as an essential incentive to the operators. The means to access that recompense should be simple and swift. An independent arbitration/adjudication body would assist this objective. The recompense should be based on absolute level of performance rather than year on year comparisons. It would be preferable to introduce an enhanced passengers' charter to provide simplicity and transparency to build trust in the process. Where a new franchise is introduced it would be reasonable to allow the fares to rise to the level they would have been at, had poor performance not artificially capped them.
- **Officer comment on response** Travellers may be discouraged from seeking recompense for poor service because of overly complicated claims procedures and criteria for acceptance of liability. Poor performance may therefore discourage travellers from using rail. In addition year on year comparisons as the basis of performance can distort the true long term picture. A comparison against a set standard could give a benchmark for performance and provide a long term comparison of performance.
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 - If a rail operator has a bad year, then the following year's performance whilst better than the previous year may still not have achieved the

performance levels two years earlier. It would be seen as an improvement on the previous year as measured currently, and therefore through the penalty system there would not be an incentive to improve further.

10. **Response:** The SRA should be involved directly to avoid differentials between fares set by different Train Operating Companies and Passenger Transport Executives to bring a unifying influence to what could become a hotchpotch of fare structures. The fares structures and interaction in adjoining areas should seek to avoid the issue of railheading, combination tickets being cheaper than a single ticket and short distance journeys being made more cheaply using long distance tickets. However it is recognised that this is difficult to achieve fully.
- **Officer comment on response** The involvement of the SRA would help to provide comprehensive accurate information on a simplified fares structure that was understandable to the public.

Conclusions

11. The Strategic Rail Authority is seeking views on its future fares policy through a consultation document. The Planning and Transportation Overview Panel formed a working group to consider in detail the consultation document and suggest a response to the SRA. The SRA required the response by 11 October, but agreed to the comments being sent informally by that date with the formal comments being forwarded after the Executive had considered the matter.

Reference Papers:

Strategic Rail Authority Consultation: [Future Fares Policy](#) – seeking your views

APPENDIX A**FAREHAM BOROUGH COUNCIL – CONSULTATION RESPONSE
STRATEGIC RAIL AUTHORITY – FUTURE FARES POLICY JULY 2002****Notes of the Planning and Transportation Overview Panel Working Group**

The views of the members' Working Group to consider the consultation response are set out below:-

1.The overall strategy should be in accordance with the government's White Paper on Transport - 'A New Deal for Transport: Better for Everyone'. It should support the aim to provide a realistic alternative choice to travel by means other than the motor car, namely rail. There is a need also to influence the demand for unnecessary long distance commuter travel whilst encouraging shorter journeys in congested urban areas. There are socio-economic and environmental dimensions to fares structures in addition to the commercial considerations in respect of community accessibility.

2. The current regulation of fares would benefit from some changes. The regulation may be different for long distance journeys compared to shorter distance or local journeys. The balance of regulation should be such that the peak demand for travel is spread over a wider time band by stepped fares leading to the time when the network cards and fares kick in. By this means there would be encouragement for the peak hour use to be increased. Long distance commuter fares could stand a degree of increase through reduced regulation.

3.The market could stand a degree of increase in fares on the most popular routes in favour of the less popular ones to assist in increasing patronage. The regulation could allow for fares to increase on popular long distance routes to provide advance funding of improvements, but on shorter more local routes that may not be practical, or desirable. In these cases the funding of improvements should be collected through fares upon delivery of the improvements. The regulation preferred would be to limit increases to between RPI -2% and RPI+2%. The increases varying depending on the above factors.

4.In the interests of travel in London, those special fares should be kept, but the effect of this in combination with longer distance fares needs to be carefully thought out to reduce the instances of 'railheading'. Local fares outside London should be subject to local incentives to encourage rail travel, and network cards improved upon as they help to increase patronage in the off peak periods. In addition, cheap day returns should be regulated particularly in areas with a high level of traffic congestion such as Fareham to Portsmouth or Southampton.

5.Fares need to be simplified and published in a unified form with fares for all operators readily available to the traveller to enable a choice of operators/routes/speeds at the point of purchase.

6. A link in fares to performance and some form of recompense to travellers for poor performance are seen as an essential incentive to the operators. The means to access that recompense should be simple and swift. An independent arbitration/adjudication body would assist this objective. The recompense should be based on absolute level of performance rather than year on year comparisons. It would be preferable to introduce an enhanced passengers' charter to provide simplicity and transparency to build trust in the process. Where a new franchise is introduced it would be reasonable to allow the fares to rise to the level they would have been at had poor performance not artificially capped them.

7. The SRA should be involved directly to avoid differentials between fares set by different Train Operating Companies and Passenger Transport Executives to bring a unifying influence to what could become a hotchpotch of fare structures. The fares structures and interaction in adjoining areas should seek to avoid the issue of railheading, combination tickets being cheaper than a single ticket and short distance journeys being made more cheaply using long distance tickets. However it is recognised that this is difficult to achieve fully.

The SRA is commended for consulting the Council on the fares strategy and the Council welcomes the opportunity to comment.