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5 November 2021

Dear Minister,

Rail fare reform

1. Thank you for giving evidence to our short inquiry into the Government's proposed reforms of rail fares and ticketing, and how these reforms affect consumers. We welcome many of the proposals in the Williams-Shapps Plan for Rail White Paper.
2. The proposals in the White Paper set out some steps to reduce the complexity of fares and improve ticketing technology. However, the Government risks not having a clear long-term strategy for the reform of fares and ticketing under the new system, which will be overseen and delivered by Great British Railways (GBR) from 2023. It is critical to the success of the proposals that the Government outlines a coherent vision for fares that can be implemented stage-by-stage.
3. We have collected evidence from a range of stakeholders and have highlighted several important objectives for the Government to consider before GBR is created. Whilst we have recommended several key policy goals which should feature in the plan, the Government must set the detail for a long-term strategy for fare reform under GBR. On ticket types, it is important to note that two different approaches are needed; one for long-distance travel and another for regular short-distance commutes, often in urban areas.
4. We look forward to receiving your response to this letter within one month. The Committee will return to this inquiry in six months' time and take further evidence on the progress of rail fare reforms.

## Summary

### *Fare simplification: need for a clear vision*

- The Government should develop a **vision** for a **simpler fare structure** before GBR is introduced in 2023. This will ensure that GBR is clear about its objectives and can successfully implement the new system.
- As part of this plan, it should be clear what the **early wins** will be, for instance in the reform of ticket types and the prioritisation of digitisation, to build public trust and stimulate a modal shift to encourage passengers to use rail services.

### *Technology*

- The Government needs to develop a plan to ensure that **contactless** payment options are available at all stations across the national rail network before the introduction of GBR in 2023.
- The Government should prioritise **digitisation**, by moving away from paper tickets to QR codes and make the **ticket infrastructure upgrades** which are needed across the network, while also continuing to provide **access to paper tickets** for those unable to access smart technologies. We heard evidence that upgrades would provide good return on investment.
- **Wi-Fi, phone and data connectivity** on the lines should be improved so that passengers can work remotely while they travel and buy tickets on-the-go.

### *Ticket types*

- We appreciate that two **different approaches** to ticketing reform are needed for the regular, short term journeys on a metro-style model and for long-distance travel. For commuters, single-leg pricing and contactless may generate more demand. For long-distance travellers, dynamic pricing may help to spread demand.
- The Government should consider options for implementing **single-leg pricing** on shorter routes and in commuter areas to deliver better value for customers who wish to make a single journey and to facilitate the expansion of contactless payment options.
- The Government should consider how to increase the use of **advance tickets** for longer journeys to help **increase non-peak revenues**. To achieve this, the Government should consider adopting **dynamic pricing** for advance fares, which is when prices increase and decrease with demand, as used by airlines.
- The Government should consider how to address the problem of **split ticketing**, which we have heard undermines trust in the system.
- The current **flexiseason ticket** provision is not satisfactory. The Government should consider ways of improving this scheme to attract more customers back onto the railways.

### *Promoting competition*

- There is an important role for a diverse range of **ticketing retailers**, which can help encourage innovation. The Government must ensure that all retailers operate on **fair commercial terms** with GBR.
- **Open access operators** are train operating companies that take full commercial risk for their services by purchasing individual routes and running on infrastructure owned by a third party. The Government should clarify the interaction between GBR and open access operators on fares.

### Fare rises

- The Government should announce the **regulated rail fare increases** for 2022 as a matter of urgency. The Government should be clear about when it will meet its ambition to **replace RPI with CPI** as the basis to calculate fare rises.

### Key facts

- A total of 388 million rail passenger journeys were made in Great Britain in 2020-21. This is just 22.3% of the 1,739 million journeys made in 2019-20 and represents the lowest level of annual passenger usage in absolute terms since passenger data were first collected in 1872.<sup>1</sup>
- Passenger revenue totalled £1.9 billion in 2020-21. This is 18.3% of the £10.4 billion generated in 2019-20.<sup>2</sup>
- Over the course of the pandemic, the Government provided almost £12 billion in public subsidy to the railways.<sup>3</sup>
- Regulated fares rose in March 2021 by 2.6% (RPI+1%).<sup>4</sup> Based on the July 2021 RPI, regulated fares could rise by 4.8% in January 2022.<sup>5</sup>
- Approximately 80% of Transport for London revenue comes from Pay As You Go technology and, of that, two-thirds comes from contactless payments.<sup>6</sup>

### Fare simplification

5. The Williams-Shapps Plan for Rail promises that the creation of Great British Railways (GBR) will “simplify the current mass of complicated fares and tickets”.<sup>7</sup> GBR will be a new public body that will run and plan the rail network, own infrastructure and receive fare revenue. As Shashi Verma, Director of Strategy and Chief Technology Officer for TfL, told us:

“no customer wakes up in the morning thinking the high point of their day is buying a ticket. It is a hindrance to most people’s lives... Simplicity is absolutely key and making it simple to the point of being invisible would be a great aspiration to have.”<sup>8</sup>

6. Mark Smith, former British Rail manager, fares expert and author of the ‘Man in Seat 61’ blog, suggested that the best way to simplify the structure of fares would be to reduce the range of options to “three fare types, which could easily keep the terms that are already familiar to customers and staff.” These would be “an anytime fare that is fully flexible, an off-peak fare that is semi-flexible, and an advance fare that is largely

<sup>1</sup> Office of Rail and Road, *Passenger rail usage 2020-21 Q4*:

<https://dataportal.orr.gov.uk/statistics/usage/passenger-rail-usage/> [accessed 23 September 2021]

<sup>2</sup> Office of Rail and Road, *Passenger rail usage 2020-21 Q4*:

<https://dataportal.orr.gov.uk/statistics/usage/passenger-rail-usage/> [accessed 23 September 2021]

<sup>3</sup> [Q 21](#) (Chris Heaton-Harris MP, Minister of State, Department for Transport)

<sup>4</sup> Regulated fares account for around 45% of rail fares and mostly cover commuter routes. The Government sets the rate of annual increase for regulated fares, which is currently calculated using RPI. The remaining 55% are unregulated fares. These cover journeys where passengers have realistic alternatives to travelling by train.

<sup>5</sup> Office for National Statistics: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23> [accessed 23 September 2021]

<sup>6</sup> [Q 14](#) (Shashi Verma, Transport for London)

<sup>7</sup> *Williams-Shapps Plan for Rail*, p70: [Great British Railways \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/gbr-plan-for-rail.pdf)

<sup>8</sup> [Q 13](#) (Shashi Verma)

inflexible.”<sup>9</sup> This would meet the Government’s commitment to preserving the ‘walk up and go’ ticket option at the ticket office, while simplifying the pre-booked options to fully- and semi-flexible.

7. Discrepancies exist between routes and operators as to when an off-peak window opens. The off-peak period varies depending on location, which can cause confusion for customers. The Government should consider how to make the timings of the off-peak window more consistent.
  8. While also calling for a simplification of rail fares, Railfuture have warned of the risks of over-simplification and adopting a ‘one size fits all’ approach: “Too much simplification is a concern; as a lack of sufficient choice is likely to have significant adverse impacts including suppressing demand... unused capacity... and over-crowding”.<sup>10</sup>
  9. We have heard of the importance of setting out a coherent plan that outlines the longer-term objectives for GBR, which would enable a simpler fare structure to be implemented in stages. Shashi Verma said that “a broad vision is there. What is not there yet is an operable vision, so it is one thing to have the broad ideas”, however he added that Government does not yet have a “comprehensive plan”, adding that “more importantly” there is not “a plan to get from here to there.”<sup>11</sup>
- 10. The Government should develop a vision for a simpler rail fare structure and start to implement it before GBR is introduced in 2023.**
- 11. Our evidence suggests that introducing three simplified fare categories under the ‘anytime, off-peak and advance’ categories would offer consumers clarity. There should be greater consistency as to when the off-peak window begins and ends across the network.**
- 12. As part of the Government’s plan, it should be clear what the early wins for GBR will be, to build public trust and stimulate a modal shift to encourage passengers to use rail services.**

## **Technology**

### *Contactless technology*

13. The Williams-Shapps Plan for Rail promises the expansion of Pay As You Go ticketing technology outside London. This reinforces the 2019 manifesto commitment to “extend contactless payment to almost 200 stations in the South East”.<sup>12</sup> We welcome this commitment. However, to fulfil the Government’s levelling up ambitions, contactless technology must be implemented beyond the South East.

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<sup>9</sup> [Q3](#) (Mark Smith)

<sup>10</sup> Supplementary written evidence from Railfuture ([RFR0001](#))

<sup>11</sup> [Q13](#) (Shashi Verma)

<sup>12</sup> The Conservative and Unionist Party Manifesto 2019, p. 27: [5dda924905da587992a064ba\\_Conservative 2019 Manifesto.pdf \(website-files.com\)](#) [accessed 30 September 2021]

14. In evidence to us you indicated that, while the Government “obviously want[s] to go to Pay As You Go... it does take quite a lot of money to replace these systems”.<sup>13</sup> However, we have heard that the substantial financial return means costs are likely to be recovered relatively quickly. Keith Williams told us that “For an investment of £300 million or £400 million the return is quite quick just because of the duplication of costs that has existed in the system to date”.<sup>14</sup>
15. The extension of contactless payments will require a simplified fare structure. In a ‘touch in touch out’ system, the customer must trust that they will get the best fare for their journey and will not be charged beyond the daily cap. Shashi Verma highlighted how contactless payments could be the means of restoring public trust: “having a vision of that kind is what is required to re-establish faith in the fares and ticketing system”.<sup>15</sup>
- 16. The Government must develop plans to ensure that contactless payment options are available at all stations across the national rail network before the introduction of GBR in 2023.**
17. On the other hand, contactless payment is not necessarily the appropriate payment mechanism for longer distance travel. Contactless payments are often suited to shorter journeys and travel within urban areas. Longer journeys are more expensive so passengers may seek to know the total cost upfront.
18. Witnesses were clear that any combination of contactless and other payment methods should be simple and easy for customers to navigate. Ian Chaplain told us that it is “important that customers can go from a small village near Birmingham to London without having to buy two separate tickets or without two separate transactions.”<sup>16</sup>
19. Improving Wi-Fi, phone and data connectivity across the network will help passengers to work remotely on trains as they travel and to make uninterrupted phone calls. A secure and reliable connection is key to this. Better connectivity will also enable consumers to buy their tickets on-the-go via their mobile phones.
- 20. Technology should be introduced to integrate contactless payments with other forms of ticketing for longer journeys, so that consumers do not need multiple tickets for a single journey.**
- 21. Wi-Fi, phone and data connectivity on rail services should be improved so that passengers can work remotely while they travel, make uninterrupted phone calls and buy tickets on-the-go.**

### *Digitisation*

22. The White Paper sets out the Government’s ambition for a “retail revolution” in rail ticketing.<sup>17</sup> We welcome this ambition. Smart ticketing will be key, with tickets available through multiple self-service channels. Additionally, transport modes should be able to

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<sup>13</sup> [Q 19](#) (Chris Heaton-Harris MP)

<sup>14</sup> [Q 44](#) (Keith Williams)

<sup>15</sup> [Q 14](#) (Shashi Verma)

<sup>16</sup> *Ibid*

<sup>17</sup> *Williams-Shapps Plan for Rail: p.22 and p.65*

interconnect with each other. We heard evidence that the comprehensive digitisation of rail ticketing will help to stimulate multi-modal travel.

23. Trainline told us that independent retailers are aiming to help facilitate more than 70% of tickets sold via online channels over the next five years.<sup>18</sup> They suggest that the lower cost of sale (between 2% and 5%) would save the Government approximately £260 million per annum compared with the cost of sale for in-station purchases (>12%).
24. Digital forms of ticketing will require infrastructure upgrades at stations to enable smart cards, phones and QR codes to be scanned, which will have upfront costs. However, reducing paper circulation will reduce costs. The Government should ensure compatibility between the various forms of digital ticketing, so that customers are confident the technology will work reliably for their journey.
25. However, there will always be a need for some passengers to buy paper tickets and inclusion for those who do not have a bank card or smartphone is important. We support your statement that “there will always be a group of people who will want to use cash and we will ensure that there is always a way that they can”.<sup>19</sup>
26. Ticket vending machines have proved problematic to customers, as Ian Chaplin informed us: “Ticket vending machines provide a quite cryptic display of fares to customers, and it seems as though an element of industry knowledge is required to use them.”<sup>20</sup>
- 27. The Government should prioritise ticket digitisation. Infrastructure upgrades should take place at remaining ticket gates across the network. Fares displays on ticket vending machines should be simplified. Access to paper tickets should continue to be provided for those unable to use smart technologies.**

### **Ticket types**

28. We appreciate that two different approaches to ticketing reform are needed for the regular, short term journeys on a metro-style model and for long-distance travel. For commuters, single-leg pricing and contactless may generate more demand. For long-distance travel, dynamic pricing may help to spread demand for advance-purchase tickets and increase non-peak revenue.

#### *Single-leg pricing*

29. Single-leg pricing is where a set fee is charged for one-way travel and that fee doubles when returning on the same route. A number of witnesses argued in favour of single-leg pricing as a means of simplifying fares. Under the current system, one-way fares are frequently only 10p or £1 less than a return, which means that failure to return from the same station to the same point of origin can almost double the cost of travel. In

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<sup>18</sup> Written evidence from Trainline ([RFR0007](#))

<sup>19</sup> [Q 24](#) (Chris Heaton-Harris MP)

<sup>20</sup> Supplementary written evidence from Omio ([RFR0005](#))

contrast, single-leg fares permit circular journeys without penalty. For those who do wish to travel on a return journey, however, single-leg pricing does not offer savings as it will cost the same as a return ticket.

30. Single-leg pricing could help to even out demand across the network, by not penalising those who wish to travel at a combination of peak and off-peak times. Shashi Verma said: “The current situation where return tickets are only a little more expensive than single tickets is absurd and reflects, again, the pricing policies of the 1980s.”<sup>21</sup>

31. Single-leg pricing reflects best practice across Europe. Mark Smith stated:

“The national railways of France, Germany, Austria, Czech Republic all operate on this basis. Italy, Spain, Portugal also work like this, even if there is sometimes a small percentage discount for a round trip made with the most expensive full-flex fares. The Netherlands retains return fares, but priced at twice the one-way fare and only good for a day.”<sup>22</sup>

32. Rail Delivery Group (RDG), the body representing rail operators in the UK, noted that “the commitment to single leg pricing is notable by its absence” in the Government’s proposed reforms.<sup>23</sup>

33. We understand that the Department for Transport supported the single-leg pricing trial at London North Eastern Railway which began in January 2020, shortly before the pandemic. In evidence you agreed that single-leg pricing “is simpler to understand” and that “it is a popular method across rail networks across Europe”.<sup>24</sup>

34. We heard that single-leg pricing can facilitate contactless technology and is easy to sell on automated systems. Under a ‘touch in touch out’ system, consumers must be able to understand and trust the charging structure. Railfuture recommended that single-leg ticketing should have “an underlying set of single fares with well understood validity with discounts for aspects such as Railcards and regular usage (flexiseasons, day returns, etc.) and smart ticketing capping (weekly and monthly seasons, zone based, etc.)”<sup>25</sup>

**35. We have heard that a single-leg fare structure could deliver better value for customers who wish to make a single journey on shorter distance routes and could facilitate the expansion of contactless payments. While single-leg pricing may not be appropriate for longer-distance routes, the Government should consider options for implementing single-leg ticketing on shorter routes and in commuter areas.**

#### *Advance purchase tickets and dynamic pricing*

36. We heard of the commercial advantages of advance purchase tickets. Advance tickets are single tickets which go on sale 12 weeks before the travel date and are limited in

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<sup>21</sup> [Q 13](#) (Shashi Verma)

<sup>22</sup> Supplementary written evidence from Mark Smith ([RFR0002](#))

<sup>23</sup> Written evidence from the Rail Delivery Group ([RFR0006](#))

<sup>24</sup> [Q 33](#) (Chris Heaton-Harris MP)

<sup>25</sup> Supplementary written evidence from Railfuture ([RFR0001](#))

number. They are valid only on a specific date, time and train and are non-refundable, but offer a cheaper fare in exchange for inflexible travel times.

37. Dynamic pricing is when the price of a product increases and decreases with demand, as used by airlines. Implementing dynamic pricing for advance fares on the railways could help to increase demand on emptier trains. Neil Middleton of Railfuture said: “If you have three people paying half price, your revenue is greater than if you have one person paying more.”<sup>26</sup> Evidence to our inquiry suggests that GBR should take advantage of dynamic pricing as airlines and hotels do, particularly given that peak income is unlikely to return to its pre-pandemic levels. Ian Chaplin recommended that “The railway needs to preserve [that] capability for customers to plan ahead, to buy ahead and to benefit from cheaper prices.”<sup>27</sup>
- 38. The Government should consider how to increase the use of advance tickets for longer journeys, which could help increase non-peak revenues. To achieve this, the Government should adopt dynamic pricing for those able to plan in advance, as used in the airline industry. It should also consider extending the booking window for advance purchase tickets.**

#### *Split ticketing*

39. Split ticketing is when a single journey that would normally require one ticket is broken down into multiple tickets, offering the consumer a cheaper end-to-end journey for travelling to the same destination. The discounts work by calculating where different pricing windows open across a journey, with the only requirement being that the train must stop at stations specified on the tickets. For example, the cost of an off-peak day return between Birmingham and York is £72; when split into three tickets to the same destination with stops at Derby and Sheffield, the cost is £52.50.<sup>28</sup> In this instance customers pay £19.50 less for the exact same journey, provided they have purchased separate tickets between these destinations.
40. Trainline offer SplitSave, an app feature that automatically allocates the customer the cheapest fare for one journey, which may comprise two or more tickets. Trainline state that the savings derive from “taking advantage of the complexities of the UK rail fare system.”<sup>29</sup> They have indicated they will continue to offer split ticketing until one ticket always provides the cheapest option.
41. Other witnesses highlighted the negative impact that split ticketing can have on consumer trust. Mark Smith said that “split-ticketing has become a growth industry, sapping public confidence.”<sup>30</sup> Ian Chaplin agreed: “On transparency and fairness of prices, the split ticket anomaly... is a huge distraction for the railway. Not only does it dilute revenue, but it dilutes customers’ confidence in the sector at large”.<sup>31</sup> Keith

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<sup>26</sup> [Q 7](#) (Neil Middleton)

<sup>27</sup> [Q 13](#) (Ian Chaplin)

<sup>28</sup> Supplementary written evidence from Railfuture ([RFR0001](#))

<sup>29</sup> Trainline, *Split tickets*: [www.thetrainline.com/trains/great-britain/split-tickets](http://www.thetrainline.com/trains/great-britain/split-tickets) [accessed 24 September 2021]

<sup>30</sup> Supplementary written evidence from Mark Smith ([RFR0002](#))

<sup>31</sup> [Q 13](#) (Ian Chaplin)

Williams described the practice of split ticketing as: “the railway winning at the cost of the consumer”.<sup>32</sup>

42. We heard that the adoption of single-leg pricing could help to address split ticketing. Anthony Smith, Chief Executive of passenger watchdog Transport Focus, indicated that “between urban areas we can see that single-journey pricing would take away a lot of the split ticketing anomalies”.<sup>33</sup> He urged GBR to “[sort] out this split ticketing conundrum, whereby the railway will tell you, ‘Here’s the best value fare we can offer you’ and yet, if you know what to do and go to one of the split ticketing websites, you can find a much better deal”. Greater transparency about split ticketing could help solve some of this discrepancy.

**43. The Government should consider how to address the problem of split ticketing, which we have heard undermines trust in the system.**

*Flexiseason tickets*

44. Plans for the new flexiseason tickets were outlined in the White Paper and allow for eight journeys to take place over a 28-day period during peak times. These new fares were introduced to stimulate the commuter market as travel restrictions lifted from July 2021 and to reflect altered working practices. Flexiseason tickets went on sale in June 2021. Witnesses to our inquiry were critical of the product. Neil Middleton suggested that “the flexiseason makes life more difficult for commuters because they have more choices.”<sup>34</sup>

45. Railfuture have undertaken research to assess the savings from flexiseason tickets. Depending on the route, the discount compared with buying a normal season ticket or day tickets varies between good and negligible. For instance, on the Bedford to London route the discount of a 7-day season ticket versus an anytime day return is 44.6%, whereas for a flexiseason the discount is only 12.5%.<sup>35</sup>

46. On flexiseason tickets, Mark Smith said: “The key flaw is that you need to decide up front to predict exactly how many days you are going to be travelling to decide between products. Any long-term solution has to do away with that necessity.”<sup>36</sup>

47. In evidence you indicated that rail passenger numbers have shifted since the pandemic: “currently there is this gap where very few people do commute on the peak services, and then gradually, over the rest of the day, when off-peak kicks in, you get larger numbers”.<sup>37</sup> Flexiseason tickets ought to capitalise on this increase in off-peak travel and be available to those traveling outside the traditional peak. Railfuture have called for an extension of the eight journeys in 28 days to 31 days, to reflect that commuters do not travel in 4-week clusters, and to cater to other priorities such as sickness or holiday.

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<sup>32</sup> [Q 39](#) (Keith Williams)

<sup>33</sup> [Q 13](#) (Anthony Smith)

<sup>34</sup> [Q 8](#) (Neil Middleton)

<sup>35</sup> Railfuture on Twitter, 21 June 2021: <http://twitter.com/Railfuture/status/1406877119234416640> [accessed 5 October 2021]

<sup>36</sup> [Q 8](#) (Mark Smith)

<sup>37</sup> [Q 30](#) (Chris Heaton-Harris MP)

48. Barry Doe, fares consultant at RAIL magazine, expressed concern that TfL did not sign up to the flexiseason product. He warned that this would cause “huge complications with people who now have to predict whether they should buy a day travelcard when they arrive in London or use their contactless to pay for odd journeys” and added that passengers might “all end up paying more than if they had bought an ordinary season [ticket]”.<sup>38</sup>
49. Ultimately, the best solution would be to have a system whereby fares are automatically capped across a contactless network, with the technology calculating the optimal deal for the customer based on how many days per week they travel. Mark Smith suggested: “In the future, we could have a system where you start on daily rates... You then get a discount for multiple journeys and perhaps this is capped at a weekly or monthly season rate, in the same way that TfL successfully caps one-off trips at the travelcard rate”.<sup>39</sup> In the short term, and until that technology is integrated across the network, the flexiseason ticket product requires urgent revision.
- 50. The current flexiseason ticket provision is not satisfactory. The Government should consider ways of improving the flexiseason ticket so that it can attract more customers. We recommend that improvements are implemented before the end of the year, so that commuters can plan their work and travel patterns.**

### **Promoting competition**

#### *Third-party retailers*

51. We heard that third-party retailers bring innovation and more customers to the industry. For example, Trainline introduced e-tickets and more recent data-driven features such as the Crowd Alerts app, which enables passengers to share real-time updates of how crowded sections of a train are.
52. The White Paper states that “a single website and app [through GBR] will end the current confusing array of train company sites”. At the same time, it promises that “independent retailers will be able to sell rail tickets, including online and in shops”.<sup>40</sup> In evidence, you said that the Government intends to encourage third-party retailers: “We expect there to be a plethora of new people coming in in this tech area to offer all sorts of different products and to join things up”.<sup>41</sup> The Government will need to provide a fair commercial environment to enable these companies to flourish. Trainline informed us of the importance of having “equivalent access to commission levels, data, products, and features” for all retailers including GBR. Trainline also wish to see structural separation between GBR’s retail business and the rest of GBR, and informed us that there should be robust independent oversight of GBR retail arrangements from an external regulator, such as the Office of Rail and Road.<sup>42</sup>

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<sup>38</sup> [Q 8](#) (Barry Doe)

<sup>39</sup> [Q 8](#) (Mark Smith)

<sup>40</sup> *Williams-Shapps Plan for Rail*, p. 67

<sup>41</sup> [Q 25](#) (Chris Heaton-Harris MP)

<sup>42</sup> Written evidence from Trainline ([RFR0007](#))

53. As Ian Chaplin, of European retailer Omio and formerly Trainline, put it:

“Given that there is no planned competition on the tracks (save for a small element of Open Access), it is important that the competition for the sale of tickets is maintained as this will create the natural market forces which will continue to drive innovation and quality.”<sup>43</sup>

54. We heard of successful third-party ticket retailing in other countries, where competition has grown the market. The French national railway expanded their reach by selling tickets via a third-party retailer, despite initial resistance. Germany and Austria are actively encouraging third-party retailers to connect to their systems to extend their reach.

**55. There is an important role for a diverse range of ticketing retailers, which can help encourage innovation. The Government must ensure that all retailers, including GBR, operate on fair commercial terms and this should be agreed before the introduction of GBR in 2023.**

#### *Open access operators*

56. Open access operators are train operating companies that take full commercial risk for their services by purchasing individual routes and running on infrastructure owned by a third party. The White Paper makes limited reference to open access operators, but does state: “there will also be the potential for new open access services to be explored in the future where spare capacity exists”.<sup>44</sup>

57. First Rail, who operate around 27% of the UK rail market,<sup>45</sup> wrote:

“we regard plans to create a single channel and route for buying rail fares with caution... Given that open access exists to meet demand unfulfilled by the contracted network, binding open access operators into a national retailing framework makes little sense.”<sup>46</sup>

58. First Rail have indicated that the commercial freedom to take revenue risk is crucial to their success, with their recent fares initiatives including discounts for couples and families and the availability of advanced ticket pricing on the day of travel.

**59. The Government should clarify the interaction between GBR and open access operators on fares. This needs to be agreed before the creation of GBR, that is by 2023.**

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<sup>43</sup> Supplementary written evidence from Omio ([RFR0005](#))

<sup>44</sup> *Williams-Shapps Plan for Rail*, p.58

<sup>45</sup> Firstrail, *About FirstGroup*: <https://www.firstgroupplc.com/about-firstgroup/uk-rail.aspx> [accessed 5 October 2021]

<sup>46</sup> Written evidence from First Rail ([RFR0004](#))

## Fare rises

60. Regulated fares account for around 45% of fares and cover mostly commuter routes.<sup>47</sup> The Government uses the Retail Prices Index (RPI) as a baseline to cap regulated fare increases. In March 2021, fare prices increased at RPI+1% (2.6%). This was the first time that prices had been raised by 1% above RPI inflation since 2013.<sup>48</sup>
61. We understand that the Government delayed the regulated rail fare increases from January to March 2021 to reflect travel restrictions. The Government has delayed the announcement of rail fare rises for 2022. Based on the July 2021 RPI of 3.8%,<sup>49</sup> rail fares may rise by 4.8% in January 2022, if the practice of RPI+1% is continued. This price increase could significantly deter passengers from returning to the railways.
62. The Office for National Statistics stopped using RPI as an official National Statistic in 2013, concluding that it did not meet the required standard for designation.<sup>50</sup> In its 2019 report, *Measuring Inflation*, the House of Lords Economic Affairs Committee criticised the Government for “inflation shopping”, by opting for RPI to raise revenue and the Consumer Prices Index (CPI) when allocating funding.<sup>51</sup> The then Chancellor stated: “in the rail industry, where regulated rail fares are linked to RPI, the Secretary of State for Transport has been explicit that he would like to move away from RPI”.<sup>52</sup> In 2018, the Secretary of State for Transport, wrote to four rail unions proposing that rail fares could be linked to CPI rather than RPI, if costs, including pay deals, were also updated by CPI.
63. At our evidence session you said: “in 10 years’ time RPI disappears as a method of calculation of inflation. At some point, and I would rather it be in the near future, we want to make that shift”.<sup>53</sup> You suggested that “there are other ways that we can stimulate the market by price that would help us. That might mean something different to CPI.” Should rail fare increases be based on CPI, this will also need to apply to staff wage increases.
- 64. The Government should announce regulated rail fare increases as a matter of urgency, so that passengers can make travel plans ahead of the fare increases in January 2022.**
- 65. The Government should announce the regulated rail fare increases for 2022 as a matter of urgency. The Government should be clear about when it will meet its ambition to replace RPI with CPI as the basis to calculate fare rises.**

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<sup>47</sup> House of Commons Library, Railways: fares statistics, Briefing Paper, [SN06384](#), 30 November 2018, p. 3

<sup>48</sup> Railfuture, *Fare rises – RPI vs CPI*: [Railfuture | Fare rises - RPI vs CPI](#) [accessed 1 October]

<sup>49</sup> ONS, *RPI All Items: RPI All Items: Percentage change over 12 months: Jan 1987=100 - Office for National Statistics (ons.gov.uk)* [accessed 1 October]

<sup>50</sup> ONS, *Shortcomings of the Retail Prices Index as a measure of inflation: Shortcomings of the Retail Prices Index as a measure of inflation - Office for National Statistics (ons.gov.uk)* [accessed 1 October]

<sup>51</sup> Economic Affairs Committee, *Measuring Inflation*, (5<sup>th</sup> Report, Session 2017-19, HL Paper 246) Chapter 3

<sup>52</sup> *Ibid.*

<sup>53</sup> [Q 30](#) (Chris Heaton-Harris MP)

66. Thank you for considering our evidence and recommendations. We will also send copies of this letter to the Secretary of State for Transport and to Huw Merriman MP, Chair of the Commons Transport Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Neville-Rolfe". The signature is written in a cursive, flowing style.

Baroness Neville-Rolfe DBE CMG  
Chair, House of Lords Built Environment Committee

## Appendix I: List of members and declarations of interest

### Members

Baroness Bakewell  
Lord Berkeley  
Lord Best  
Lord Carrington of Fulham  
Baroness Cohen of Pimlico  
Lord Grocott  
Lord Haselhurst  
The Earl of Lytton  
Lord Moylan  
Baroness Neville-Rolfe (Chair)  
Lord Stunell  
Baroness Thornhill

### Declarations of interest

Baroness Bakewell  
*No relevant interest to declare*

Lord Berkeley  
*Board member, Allrail*

Lord Best  
*No relevant interest to declare*

Lord Carrington of Fulham  
*No relevant interest to declare*

Baroness Cohen of Pimlico  
*No relevant interest to declare*

Lord Grocott  
*No relevant interest to declare*

Lord Haselhurst  
*Chair, West Anglia Rail Taskforce*

The Earl of Lytton  
*No relevant interest to declare*

Lord Moylan  
*Member, Board of the Ebbsfleet Development Corporation*

Baroness Neville-Rolfe (Chair)  
*Non-Executive Director, Capita plc*

Lord Stunell  
*Honorary President of the Goyt Valley Rail Users Group*

Baroness Thornhill  
*No relevant interest to declare*

A full list of Members' interests can be found in the Register of Lords' interests:  
<https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

## Appendix 2: List of witnesses

Evidence is published online at: <https://committees.parliament.uk/work/1372/williamsshapps-plan-for-rail-fare-reform/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with \*\* gave both oral and written evidence. Those marked with \* gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

### Oral evidence in chronological order

*	Barry Doe, Fares Consultant, Rail Magazine	<a href="#">QQ 1-12</a>
**	Neil Middleton, Fares Specialist, Railfuture	<a href="#">QQ 1-12</a>
**	Mark Smith, Fares Specialist, The Man in Seat 61	<a href="#">QQ 1-12</a>
**	Ian Chaplin, Senior Adviser, Omio	<a href="#">QQ 13-18</a>
*	Anthony Smith, Chief Executive Officer, Transport Focus	<a href="#">QQ 13-18</a>
*	Shashi Verma, Director of Strategy and Chief Technology Officer, Transport for London	<a href="#">QQ 13-18</a>
*	Chris Heaton-Harris MP, Minister of State, Department for Transport	<a href="#">QQ 19-38</a>
*	Keith Williams, Chair, Williams Rail Review	<a href="#">QQ 39-47</a>

### Alphabetical list of all witnesses

**	Ian Chaplin, Senior Adviser, Omio ( <a href="#">QQ 13-18</a> )	<a href="#">RFR0005</a>
*	Barry Doe, Fares Consultant, Rail Magazine ( <a href="#">QQ 1-12</a> )	
	First Rail	<a href="#">RFR0004</a>
*	Chris Heaton-Harris MP, Minister of State, Department for Transport ( <a href="#">QQ 19-38</a> )	
	Independent Rail Retailers	<a href="#">RFR0003</a>
**	Neil Middleton, Fares Specialist, Railfuture ( <a href="#">QQ 1-12</a> )	<a href="#">RFR0001</a>
	Rail Delivery Group	<a href="#">RFR0006</a>
**	Mark Smith, Fares Specialist, The Man in Seat 61 ( <a href="#">QQ 1-12</a> )	<a href="#">RFR0002</a>
*	Anthony Smith, Chief Executive Officer, Transport Focus ( <a href="#">QQ 13-18</a> )	
	Trainline	<a href="#">RFR0007</a>
*	Shashi Verma, Director of Strategy and Chief Technology Officer, Transport for London ( <a href="#">QQ 13-18</a> )	
*	Keith Williams, Chair, Williams Rail Review ( <a href="#">QQ 39-47</a> )	