Introduction

To anyone unfamiliar with the system of rail fares in the UK, the first impression is often of a very complicated structure. The UK railways have a reputation, both at home and abroad, for a complex fare structure with little transparency for passengers.

This article looks at the history of rail-fare policy in the UK and the manner in which this has changed with privatization. It then moves on to examine how fare levels are set currently and some of the issues for those responsible for setting fares. Lastly, it examines the situation from the passengers’ viewpoint and discusses current passenger perceptions of the fare system.

History of UK Rail-fare Policy

This section looks at the history of rail fares and the government’s changing role in setting fares. It examines the issues before privatization and the regulatory system introduced with rail privatization. It then moves on to discuss the problems associated with the regulatory system and how these are being managed. Finally, it examines how train operators set current fares.

The history of differential fares in the UK began in the 1820s with the Stockton & Darlington Railway (SDR). On opening in 1825, the fare for a single journey along the full 19-km length of the line was 1 shilling, the 2003 equivalent of £2.21 (£1= US$1.68). The following year, a lower fare of 9 pennies (12 pennies = 1 shilling, or £1.76 in 2003 prices) was introduced for passengers travelling outside the covered coach. By 1835, the SDR was offering cheaper fares on market days (or what would now be termed incentive fares). The first official recognition that some form of lower fare was necessary came with the Regulation of Railways Act 1844 requiring all operators to run at least one train (so-called Parliamentary Train) each day allowing travel in covered third-class coaches for no more than one penny (1d) per mile. The following 100 years saw the introduction of a range of differential fares, including workmen’s fares (1883), a cheap monthly return ticket (1929) and special fare scales for picnic parties, commercial travellers (salesmen), anglers, ramblers, police officers, and people on military service.

Pre-privatization Fare Policy

All private railway companies in the UK were nationalized in 1947 and the new nationalized company became British Rail (BR). Until privatization completed in 1997, the British Railways Board (BRB) was responsible for BR’s overall pricing strategy. One of the core ideologies of the Conservative governments (Thatcher and Major cabinets) during the lead up to privatization was that public services should be more economically viable. Consequently, the BRB faced the increasingly difficult task of running an efficient railway with growing passenger traffic while facing decreasing subsidies. Historically, fares had been based simply on miles travelled, but in 1968, it was decided to adopt a market-based approach that would give more pricing flexibility. In general, the BRB increased fares in line with inflation with higher rises on sectors where services had been improved, such as by adding new rolling stock. On some sectors, the BRB could also raise fares to whatever level the market could bear, creating extra revenue to help reduce public subsidy. In reality, this meant that while some fares were raised in line with market forces, others were increased in line with inflation even when the service had actually got worse. When faced with rising passenger demand coupled with finite financial resources, the BRB was able to use differential price increases to force passengers off the railways and choke off demand on overcrowded lines.

Passengers getting off the train at Paddington Station in London (T. Suga)
Pre-privatization Fares

During the 1970s and 1980s, BR introduced a range of fares to stave off competition from road and long-distance buses; early systems such as reduced fares for students and senior citizens were further advanced in the mid-1980s when the InterCity, Network SouthEast and Regional business sectors were established. InterCity dealt with the long-distance market, Network SouthEast with the London and south-east commuter market, and Regional with the regions. The three sectors catered for different markets with different priorities and this was reflected in their respective fare systems. As a case study of a sector that catered for a more-or-less elastic business and leisure travel market, InterCity introduced a variety of long-distance fares, some of which still exist in one form or another today. In 1985, Saver and SuperSaver tickets were introduced on InterCity services; these were discounted walk-on tickets with restrictions on peak-time usage. The cheaper SuperSaver was the most restrictive and replaced earlier BR restricted-use tickets, such as the Weekend Return that had proved the market for this type of ticket. These special tickets were followed from 1987 by a large range of advance-purchase tickets, such as the Apex, Advance Return and Leisure First, designed in large part to encourage travellers to travel at off-peak times and introducing the general concept of using price structure to tailor demand to capacity.

In BR’s later days, although still centrally controlled by BRB, the fare policy differed between sectors due to the different market conditions and priorities. Sometimes, this created tensions between the sectors through differential price rises. For example, in January 1989, InterCity’s long-distance commuter fares were increased by up to 21%, whereas Network SouthEast’s were increased by an average of 10.8%. However, fare increases over the long term were similar in all three sectors—between 1984 and 1991, Network SouthEast fares increased by 83%, InterCity’s by 76% and Regional’s by 75%.

Government and Fare Policy before Privatization

There was some government intervention in BR’s pricing strategy, for example, to hold commuter fares at some level but the level of intervention was not like that seen today. Since the government’s prevailing opinion was that railways should be economically efficient, there was little intervention even when BR announced above-inflation price increases. However, the Treasury did keep a close eye on fare increases and occasionally asked BR either to scale down fare increases or to raise fares differentially for better services. This was especially evident during recessions when the government intervened directly to restrain prices. As a result, a conflicting situation occurred whereby government policy both encouraged fare increases to improve financial performance while simultaneously limiting price rises.

Post-privatization Government and Fares Policy

Introduction of regulation

Railway privatization was accompanied by a government regulatory process to protect passengers in captive markets like London where commuters have almost no transport choice other than railways. It was also a government move to ensure acceptance of a very controversial privatization plan even within the governing Conservative party. The government decided to regulate Saver tickets and Standard return tickets where there was no Saver ticket (known as Tier 1 regulation or ‘protected’ fares), along with all commuter and weekly season tickets (known as Tier 2 regulation or ‘commuter’ fares). Fares were set largely at existing BR levels and changes in these fares were capped at the Retail Price Index (RPI) until 1999. Thereafter, price capping would be at RPI minus 1%, making rail travel cheaper year-after-year. In fact, since privatization, regulated rail fares have decreased in real terms by around 6.6%.

The protected fares regulation protected passengers by ensuring that walk-on long-distance leisure fares were always available at a reasonable price. Each fare was capped individually, unlike commuter and season tickets that were regulated in a ‘fares basket.’ This system considers a set of fares together as part of a ‘basket’ with each fare in the basket weighted by the revenue generated in the previous year. It means that while the change in the overall value of the fares basket could not rise by more than RPI minus 1%, individual fares within the basket could rise more than others, providing operators with more fare-setting flexibility. Regulation of commuter and season tickets also attempted to protect passengers by creating a mechanism to compensate for poor performance. The Fares Incentive Adjustment Payment scheme (FIAP) applied to 17 London commuter operators meant that if an operator’s performance was very bad, the amount by which it could increase fares would be restricted in a future fare-setting round, thus compensating passengers forced to suffer poor performance and spurring the operator to do better.

Regulation problems

Despite good intentions, this regulatory system has not always worked as intended. Capping the Saver fare effectively capped all prices below it. Therefore, regardless of service
investments made by operators, there is a ceiling to farebox revenues generated at the lower end of the market. The Saver service, rather than pay the full fare. Furthermore, the system created anomalies depending on whether fares were calculated as commuter or protected fares; due to the way they were regulated, some long journeys were cheaper than short journeys! The large fare baskets contained prices for thousands of possible but rarely made journeys, generating unnecessary difficulties for the pricing departments of the Train Operating Companies (TOCs). Consequently, while the post-privatization pricing and regulation system was more transparent than under BR, it led to a number of significant problems as well as lower revenues for some TOCs. However, despite these difficulties, rail passenger demand increased greatly.

Fares review

The original government body responsible for overseeing the regulatory system was the Office of Passenger Rail Franchising (OPRAF). OPRAF has since been disbanded and the Strategic Rail Authority (SRA) created in 2001 now defines the strategic agenda for railways. A clause in the privatization franchise agreements allowed a fares review in 2002. The review conclusions were published by the SRA in July 2003 and a new system will come into effect in January 2004. The basic premises are to make regulation easier for the TOCs while ensuring that rail users contribute more to the system, thus redressing the balance between user and taxpayer contributions. Regulation still applies but everything will be controlled by fare baskets. The distinction between what constitutes commuter and protected fares will be clearer, eliminating earlier anomalies.

In general, a relatively small number of journeys make up the bulk of an operator’s business, but until now, every possible journey was included in the basket. From January 2004, only journeys that generate 95% of an operator’s income will be regulated, substantially reducing the basket size. Eliminating seldom-used fares from the basket reduces the TOC’s workload but still ensures effective caps on all fares geographically by capping the most important journeys. Thus, if the regulated fare from A to C via B is £10, the fare from A to B cannot exceed this, regardless of whether it is regulated or not. The cap for changes to regulated fares will be set at RPI plus 1% for 3 years with a possibility of raising any individual fare in a particular basket by a further 5% as long as the overall basket does not exceed the cap. The SRA has also set 2006 as the date for bringing in a new system to regulate Saver fares, although the details are still unconfirmed.

These changes do not permit the TOCs to make a profit from any price increase under the new system. The fares review clause stipulated that any changes would result in no net loss or gain for the operator. Consequently, any funds generated by the new system will go to the SRA in the form of reduced subsidies or increased franchise payments, leaving more resources for other investments in the rail network.

Even before the SRA review, the FIAP system of compensating passengers for poor performance was generally recognized as ineffective. The delay between monitoring an operator’s performance and making adjustments to rail fares was so long that there was little correlation between the fare and current performance. Furthermore, the changes were based on relative rather than overall performance, so a very poor operator making slight improvements would be permitted to increase fares, while a relatively good operator experiencing temporary problems would be forced to reduce fares. Due to the complexity and lack of clarity for passengers, this system has been abandoned and passengers will be compensated directly by the operator under the terms of its Passengers’ Charter.

TOCs and Fares Policy

Under the franchise agreements, train operators have three opportunities to set their fares—January, May, and September. Given their competitive market, it is critical to get the right balance between yield maximization and the regulatory system described above.

One feature of the UK rail market is that each operator caters to a distinct and unique market (even when operational areas overlap) but also forms part of a greater rail network in the sector it covers. Within one operator’s area, the market conditions dictating what happens on one section of line can be completely different to further up or down the same line. This interplay of differing travel scenarios means that there is no magic formula for setting fares—it would make little business sense to simply increase or decrease fares by a uniform percentage. It is important for each operator to identify passenger profiles, priorities, and travel requirements accurately. After this information is collected, fares for each different section are set according to what that market can bear and to what other operators on the network are charging. As a franchise condition, operators are obliged to supply through fares that are not restricted to their own services, but they are also free to set their own fares. All these decisions must comply with the fare regulations described above. Furthermore, many people in the railway industry would
argue that although operators now have some freedom to price fares as they wish and are able, remnants of the old BR fare structure are still in evidence and coupled with the regulatory system, prevent the TOCs from devising truly innovative fare policies. Others go further to say that, having successfully negotiated the interplay between the regulatory system, through fares, etc., there is actually very little room for operators to manoeuvre when setting their fares. While passengers may feel that the current UK fare system is too complicated, they may be partly consoled by knowing the difficulties faced by the TOCs.

**TOCs and Setting Fares**

An operator’s pricing department must consider both finances and the viewpoint of the marketing department when setting fares. While the farebox must generate as much revenue as possible, the marketing department usually stresses the need for a clear and simple fare structure that does not confuse passengers so much that they decide not to travel by rail. The TOCs must also consider how to get optimum use of their capacity without overcrowding trains at certain times of day. One criticism of the present regulatory system voiced by the TOCs is that capping Saver fares leads to overcrowding on some trains. As a result, operators are forced to offer increasingly lower fares than Saver fares to persuade passengers to travel at other times and thereby attain a more uniform load factor. This lower range can offer excellent value but tends to be restricted to advance-purchase tickets on specific trains and does little to increase farebox revenues. Above all, operators must know their market and target it to their best advantage. A good example is a comparison between Chiltern Railways and Virgin Trains, both of which operate from London to Birmingham between different termini and via different routes. Virgin’s service is generally faster than Chiltern’s and the company enjoys a certain prestige as an InterCity operator rather than a commuter operator. In the business market, Virgin attracts passengers who are cost insensitive but very time sensitive while Chiltern offers a longer journey time but cheaper fares both for business and leisure. As a consequence, Chiltern’s business market is chiefly made up of small businesses and self-employed people although there may be some overlap. This targeting of different markets is reflected in the fares—Chiltern’s most expensive Clubman Plus return ticket is £72 while Virgin’s Business Return is £166.20. Although the Virgin fare is first class and the Chiltern fare is standard (Chiltern no longer has first class), the service levels are similar—they both include free refreshments and a London Underground ticket, although Virgin does offer the added bonus of free station car parking.

**Allocating Rail Income**

Franchise agreements require TOCs to cooperate to ensure through tickets are available wherever a journey entails the use of two or more TOCs’ trains. These arrangements are set out in the Ticketing and Settlement Agreement (TSA) where the rules for apportioning through and through ticket revenue are also defined. Revenue is allocated by Rail Settlement Plan Ltd. (RSP), a company wholly owned by the TOCs and managed on their behalf by the Association of Train Operating Companies (ATOC). RSP uses a computerized system called Operational Research Computer Allocation to Timetables (ORCATS) to determine each TOC’s share of ticket revenue based on a prediction of the propensity of a passenger with a particular ticket to travel at specific times of the day and days of the week and thus use one TOC’s trains rather than another’s. The RSP is notified of each rail ticket sale and then begins a complex process of working out exactly what has been sold by whom and apportioning credits and debits to the accounts of the various TOCs, travel agents, bus companies, ferry companies, or any company with an obligation under the RSP. Provisional balances are worked out regularly and settlements are made every 4 weeks in the case of TOCs.
Knowing the Competition

The TOCs face direct competition not only from each other, but also from road transport and increasingly from domestic airlines. This section discusses steps that the operators are taking to fight off this competition.

Other TOCs and road transport
In areas where the TOCs face competition between each other, the industry has seen a range of fares designed to lure passengers from competitors’ routes. The recently introduced Just 15 ticket at the low end of Chiltern’s London–Birmingham market is a restricted but walk-on fare of £15 return, similar to Virgin’s cheap fare but more flexible. Reduced fares also help the operator in their battle against road transport. Cheaper fares attract more people to rail although there seem to be problems with passengers understanding ticket restrictions. These fares are often targeted directly at the car market with big savings for families and car-sized groups of people; a good example is Midland Mainline’s 4-sight ticket, offering bargain travel for groups of four.

As well as cheaper fares, operators have also introduced a number of innovations for both business and leisure travel designed to help potential passengers see the benefits of rail. For example, First Great Western has designated family coaches in their trains, and Chiltern Railways, stressing the value of their walk-on service has ceased seat reservations and removed first class to provide more standard seats, allowing more people to sit at peak times. Since most journeys on Chiltern are relatively short and high frequency, such changes will have a significant impact on passengers’ perception of Chiltern’s service. Other operators, such as South West Trains and Midland Mainline, have sections on their website dedicated to day trips by rail and in some cases have even teamed up with leisure parks to offer cheaper entry for train passengers. Other new schemes introduced by various operators include complimentary tea and coffee for all passengers, activity packs for children, and vouchers for reduced-price refreshments on the train. In addition to these new offers and means of travel, some operators have created innovative marketing campaigns with offers for cheap shopping trips to London targeted at regional travellers, and for cheap holiday trips to the regions targeted at travellers in London.

Competition from air
A recent phenomenon perhaps not anticipated by rail operators has been the huge increase in UK domestic air travel. This is due in no small part to the new generation of low-cost airlines such as Easyjet and Ryanair that offer flights at low prices by keeping overheads to a bare minimum. This in turn has meant that even established airlines such as British Airways have been forced to compete to stay in the market. It is a harrowing business background that has spurred companies to more innovative fare schemes. The old BR first introduced advanced-purchase ticketing in the 1970s and developed it further in the 1990s. It is a similar system to that used by airlines because the passenger specifies in advance which service they will use and is then committed to that service. It was an instant success for BR because it allowed passengers to travel cheaply and allowed BR to use spare capacity. The TOCs have kept the system and are now moving further toward the airline ticketing method, with new automated systems allowing more dynamic adjustments to changes in passenger demand than in the past. Thus it is possible to offer increasingly cheaper advance-purchase fares. Although fares can only be changed at three specific times each year, which prevents a flexible response to the constantly changing market, the proportion of cheaper tickets
Table 1 GNER London–Edinburgh Return Tickets

<table>
<thead>
<tr>
<th>Ticket type</th>
<th>Price</th>
<th>Time restricted</th>
<th>Train specific</th>
<th>Advance booking</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNER Executive Special Package 2 (First class)</td>
<td>£268</td>
<td>No</td>
<td>No</td>
<td>Not necessary</td>
</tr>
<tr>
<td>First Open Return</td>
<td>£257</td>
<td>No</td>
<td>No</td>
<td>Not necessary</td>
</tr>
<tr>
<td>Standard Open Return</td>
<td>£181</td>
<td>No</td>
<td>No</td>
<td>Not necessary</td>
</tr>
<tr>
<td>First Class Off Peak 3</td>
<td>£99</td>
<td>Yes</td>
<td>Yes</td>
<td>By 18:00 3 days before travel</td>
</tr>
<tr>
<td>Business Saver (Standard)</td>
<td>£89.50</td>
<td>Peak restrictions</td>
<td>No</td>
<td>Not necessary</td>
</tr>
<tr>
<td>Saver Return (Standard)</td>
<td>£83.70</td>
<td>Peak restrictions</td>
<td>No</td>
<td>Not necessary</td>
</tr>
<tr>
<td>First Class Off Peak 2</td>
<td>£79</td>
<td>Yes</td>
<td>Yes</td>
<td>By 18:00 3 days before travel</td>
</tr>
<tr>
<td>Super Advance Return (Standard)</td>
<td>£71</td>
<td>Yes</td>
<td>Yes</td>
<td>By 18:00 day before travel</td>
</tr>
<tr>
<td>Super Advance Return (Standard)</td>
<td>£64</td>
<td>Yes</td>
<td>Yes</td>
<td>By 18:00 day before travel</td>
</tr>
<tr>
<td>First Class Off Peak 1</td>
<td>£59</td>
<td>Yes</td>
<td>Yes</td>
<td>By 18:00 3 days before travel</td>
</tr>
<tr>
<td>Apex Return (Standard)</td>
<td>£55</td>
<td>Yes</td>
<td>Yes</td>
<td>7 days before travel</td>
</tr>
<tr>
<td>Apex Return (Standard)</td>
<td>£51</td>
<td>Yes</td>
<td>Yes</td>
<td>7 days before travel</td>
</tr>
<tr>
<td>Standard Class Off Peak 2 Return</td>
<td>£36</td>
<td>Yes</td>
<td>Yes</td>
<td>7 days before travel</td>
</tr>
<tr>
<td>Standard Class Off Peak 1 Return</td>
<td>£25</td>
<td>Yes</td>
<td>Yes</td>
<td>7 days before travel</td>
</tr>
</tbody>
</table>

Source: GNER website, October 2003

can be altered, allowing an essentially static system to act more like the dynamic systems used by airlines. However, because the rail market is regulated and airlines are not, there is a limit on how far rail will be able to emulate airlines. One difference that rail passengers will notice with this move to a more dynamic system is the ability to book a return journey using a combination of single fares. Virgin Trains has already moved to this system and it is likely that other long-distance operators will follow suit soon. Consequently, a passenger now has the freedom to travel outbound on a peak ticket but homebound on an off-peak ticket, giving a greater fare choice and a potentially more even spread of people travelling throughout the day. However, a more passenger-friendly booking system is not sufficient to tempt people away from air travel. Long-distance operators have had to work hard to come up with schemes to claw back market share, resulting in a whole range of cheap fares. To ensure that it is really competitive, Great North Eastern Railway (GNER) tracks airline prices and terms and conditions very closely, and then makes sure that its rail fares are comparable. For example, the most expensive rail tickets are all refundable on cancellation, something that most airlines do not offer. There are always walk-on tickets available for passengers who want to buy their ticket when they travel and the company does not overbook the train, unlike some airlines. There are special deals, like Executive packages that offer both rail travel and extras such as London Underground tickets, free station parking, meal vouchers, etc. GNER has recently installed power outlets for laptop computers in its first class and is introducing wireless Internet connections, all emphasizing the potential of rail to offer an office environment in which the business passenger can work effectively and maximize use of travel time. In the leisure market, many companies have started offering first-class seats at standard fares during off-peak times to use spare first-class capacity and offer passengers a first-class experience at a cut price. In addition, there are the many cheap tickets that undercut fares offered by the airlines or buses. They are mostly advance-purchase tickets but are very popular with flexible passengers.

Passenger Perceptions of Current Fare System

A major criticism of the UK fare system is the level of complexity in the pricing structure and the resulting difficulties for passengers. This section examines the system from the passengers’ viewpoint and highlights areas of confusion. It then discusses common opinions and how operators are attempting to mitigate problems.

Fare choice

For the average passenger, the usual first point of contact with the railway system is when they walk into a ticket office, visit a website or call a call-centre to purchase a ticket. The passenger is often faced with an array of tickets for each journey and deciding which option is best is not always straightforward. For example, GNER operates between London and Edinburgh on the East Coast Main Line (ECML), one of the UK’s premier routes. The 600-km journey from London to Edinburgh takes approximately 4.5 hours and a simple query on the GNER website (www.gner.co.uk) shows that a return ticket can cost from as little as £25 to as
much as £268. There are fourteen different types of ticket, ranging from the very cheapest Standard Class Off Peak 1 Return (£25), which is available on a very limited basis and restricts the passenger to certain trains, to the most expensive GNER Executive Special Package (£268), which is first class, fully flexible and includes numerous extras such as free station parking, meal vouchers and London Underground tickets (Table 1).

The ticketing structure for most long-distance operators is similar to that of GNER with full-price tickets being the most flexible and with cheaper tickets limited in terms of purchase time, train and peak service use. All the TOCs have their own discount and premium fares (as well as the obligatory through fares), some of which are marketed under different names to those in Table 1, creating additional potential for confusion.

Choice of operators
There is a different and often more complex set of circumstances on routes served by several operators. Following privatization, the railways were separated vertically with Network Rail (ex-Railtrack) responsible for the infrastructure and 25 TOCs responsible for passenger operations. There is considerable overlap on some routes; for example, a journey from London to Birmingham offers the passenger a choice of three different operators: Virgin Trains, Chiltern Railways, and Silverlink. They all offer different service levels and have their own specific fare structures. There is a wide choice of fares for the route depending on how flexible a passenger can be in terms of price and journey timing, and reviewing all the options is time-consuming.

Railcard discount schemes
Aside from the different fares and operators, there are a number of discount railcard schemes that every TOC must participate in (Table 2). The main railcards are listed in Table 2, although a number of special railcard schemes are also in use, such as those for members of the armed forces, people on certain unemployment benefits, etc. Passengers can save money using these railcards, although varying degrees of restriction apply to all cards.

Passengers’ Opinions
Assessing the effect of regulation, competition and market-pricing policy on the average passenger is not easy. Experiences of the UK rail system today depend greatly on where and why the passenger is travelling. However, research by the Rail Passengers Council (a body representing UK rail passengers) suggests that there are some general patterns to opinions.

Positive
There is no doubt that flexible passengers can access some incredibly cheap rail travel, providing they book far enough in advance, are aware of the availability of discount tickets, and can stick to the times they have booked. The TOCs do generally offer a fare for every type of passenger no matter what their priority and leisure passengers with access to advance bookings can save hundreds of pounds. Due to the regulations, a large percentage of commuters enjoy comparatively cheap travel to and from work, although this is more the opinion of commuters outside London. Although commuters frequently complain that they cannot get a seat on their journey to work, the sheer number of people now commuting, especially into London, means that the present UK rail system simply cannot provide a seat for every passenger. Of course, a faster and more efficient rail system would certainly help mitigate this problem but that debate is outside the scope of this article.

<table>
<thead>
<tr>
<th>Railcard</th>
<th>Applicability</th>
<th>Discount</th>
<th>Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled</td>
<td>Must qualify under certain criteria, travel with another adult</td>
<td>One-third off standard and first class travel for card holder and one other adult</td>
<td>£14</td>
</tr>
<tr>
<td>Family</td>
<td>Families—min. one adult one child, max. four adults four children</td>
<td>Adults save one-third on standard fares, children 5–15 save 60%</td>
<td>£20</td>
</tr>
<tr>
<td>Network (travel in south-east England)</td>
<td>Anyone aged 16 or over</td>
<td>Adults save one-third on standard fares (restrictions apply), children 5–15 60%. Min. fare of £10</td>
<td>£20</td>
</tr>
<tr>
<td>Senior</td>
<td>Over 60</td>
<td>One-third off most standard and first class fares</td>
<td>£18</td>
</tr>
<tr>
<td>Young Persons</td>
<td>16–25 (or full-time education)</td>
<td>One-third off most rail fares</td>
<td>£18</td>
</tr>
</tbody>
</table>

Source: http://www.railcard.co.uk
Negative

We cannot escape the fact that the fare structure is very difficult to understand for very many passengers. For infrequent travellers, the first problem is not only where to look for information on their journey, it is also what questions they need to ask to find the information they need. Not every passenger knows that there may be a choice of operator on the particular route they wish to take, or that there may be restrictions on when they want to travel, so buying the first ticket they discover may actually cost much more than they need to pay. There is also the issue of passengers being misquoted fares. There are many places to get information on train fares, some of which are TOC-specific, some of which are not. It seems that passengers are sometimes quoted different fares, leading to suspicions that they are not getting the best deal. This problem is further exacerbated by the fact that the very cheap tickets are often quota-controlled, meaning that a passenger may try to book the cheapest ticket on the appropriate train but find that they cannot because the quota has already been sold. Passengers also find it difficult to understand the reasons for differences in ticket prices. Because the system is no longer mileage-based, there are anomalies where the same length of journey costs a lot more in one part of the country than in another, and it is difficult for passengers to understand that the market forces acting on their particular line are very different to those acting on another. Commuters also complain that they do not understand the rules governing calculation of season tickets and season-ticket refunds, while leisure travellers complain that restrictions on tickets are difficult to understand. In addition, fares and various restrictions are often changed and updated, leaving passengers feeling ‘cheated’ that they can no longer use a particular ticket as they have in the past. Moreover, the general perception is that rail travel is expensive. Although there are many cheap fares, unregulated and unrestricted open return fares have in some cases increased substantially since privatization. In 1995, a standard single ticket from London to Manchester was £50. Now, on Virgin Trains, it has increased substantially to £87.50. It is not surprising that Saver-valid trains are crowded when there is such a huge difference between the full fare and the Saver. Some RPC research suggests that business users (the least flexible of travellers) in particular feel that rail travel is overpriced, although they do appreciate the service difference between standard and first and that the price difference is necessary. Research by the Liberal Democrat party and quoted in The Independent on Sunday newspaper (15 June 2003) found that rail travel in the UK is the most expensive per mile in Europe for long-distance journeys, although the research did not take economic differences between countries into account.

TOCs’ Solutions to Problems

The 25 TOCs all sponsor the National Rail Enquiries Service (NRES) telephone service giving impartial advice on which train is best for a particular journey in terms of speed, flexibility, value for money, etc. Some operators are already trying to give their tickets less confusing names, particularly those with similar restrictions. For example, GNER’s First Class Off-Peak 1, 2 and 3 tickets. Clearly, the TOCs realize that fares are difficult for the average passenger to understand, but they stress that they offer a fare for every type of passenger in their market, while at the same time working within a complex regulatory system. While the TOCs generally accept the need for regulation of commuter fares, many believe that if there were no protected fares, their job of setting fares at an appropriate level for everyone and simplifying the structure would be a lot easier. However, RPC research suggests that most passengers see a need for some kind of regulation and the fact that the

Train departures and arrival bulletin board at Waterloo Station in London (T. Suga)
SRA is still imposing regulation on TOCs means they see a need for it too.

Conclusion

It does appear that there is a growing recognition of the problem of the complex fare structure in the UK and the need to address it. The Saver regulation changes in 2006 might be a step towards a better system but since no details are available yet, we can only hope that the changes will allow operators to bring full-price walk-on fares in line with the cheaper fares that are already in place. The ‘turn up and go’ market is a key advantage of rail over air and one footing where it can compete successfully with road. Although the TOCs are trying to ensure that this market is catered for, care is needed to ensure that an adequate balance is struck between the advance purchase and walk-up markets, otherwise the rail industry could be in danger of pricing a large proportion of its passengers off the trains. The UK’s rail fares offers passengers two features: a huge variety of choice and a lot of complexity. Passengers who know the system can and do have the choice of a vast array of cheaper fares in the off-peak leisure market, although this is not always true for the business or commuting markets. In addition, the TOCs have been able to spread their capacity throughout the day, although there is some anecdotal evidence to suggest that the complexity of the fare system puts off some potential train travellers. As travel markets are constantly changing, the TOCs can never be satisfied that they have the right pricing structure, and they are constantly striving to get the best balance between market, regulation and passenger demand. Although none of the operators nor the SRA would suggest that the current system is absolutely the best, it seems that passengers, the SRA and operators would all like to see a fairer and more transparent system (although their priorities are understandably different). As long as all the interested groups are all travelling in the same direction there is hope that their thinking will converge along the line and the UK will have a system of fares offering everyone a fair deal.

Further Reading


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