Rail Fares Explained
The railway plays a vital role in the daily lives of millions of people across Britain and forms the backbone of our economy.

Behind this public service is a partnership between the public and private sectors, working together to change and improve. After decades of decline before the 1990s, passenger journeys have doubled in the last 25 years. Rail is also getting more goods to market, taking lorries off the roads. The nation has shared in the proceeds of this growth with the railway’s running costs going from £2bn in the red to £200m in the black, freeing up taxpayers’ money to grow the network or invest in other vital public services.

While further improvement will always be needed, services are far better than they were 25 years ago. Local communities are enjoying over 600 revitalised stations. We are running over 4,000 more trains every day – an increase of almost a third.

But the current system is under severe strain. Partly due to the successes in increasing services and boosting passenger numbers, we now have one of the most congested railways in Europe. The smallest delay can have a huge ripple effect. At the same time, we’ve been rebuilding the network to reduce congestion and create the space to run even more services. It’s necessary but disruptive work – a bit like renovating your home while you’re still living in it.

This summer’s ambitious but ultimately disruptive timetable change is an example. Almost half of all train times changed as we tried to deliver a step-change in service. But the sheer scale and complexity of the operation with multiple moving parts, meant the system didn’t cope.

It is now increasingly clear that the status quo is not an option. That’s why we’re delivering long-term plans to change and improve the railway today – another 6,400 additional services. Over 7,000 new carriages by 2021. Hundreds more trains refurbished like new. All delivering extra journey choices, more frequent services and more space on trains.

But we want to go further. We’re pushing for root and branch reform of the rail fares system – developing proposals for government to overhaul outdated regulations so that our customers have an easier-to-understand range of fares to choose from.

And we called for and support the government’s on-going rail review, led by Keith Williams.

We will be bringing forward bold proposals of our own to overhaul the entire railway system. We believe the partnership approach – public and private working together – is right, but we need to structure that relationship to truly unlock the best of both parts.

Against this backdrop we are letting people know how much their journey will cost next year. Paying more to travel is never welcomed, especially by people who have suffered delays and disruption. So, it’s more important than ever that people understand why fares change and how we are spending their money. This booklet aims to do just that.
6,400 extra services a week by 2021
Today, we are living through the biggest investment in the railway since the Victorian era and it is delivering:

**Better trains and more services**

The roll out of 7,000 new carriages, supporting 6,400 extra services a week by 2021. Hundreds of fully refurbished trains will also be rolled out on routes across Britain.

**The Great North Rail Project**

The Great North Rail Project, a multi-billion-pound programme of upgrades to better connect towns and cities across the North of England.

**Elizabeth Line**

The completion of Britain’s newest railway, the Elizabeth Line which alone will increase rail capacity in the capital by 10%

**Central belt improvements**

The Edinburgh to Glasgow Improvement Project, increasing capacity and decreasing journey times.

**Thameslink Programme**

The Thameslink Programme which will bring a new tube-frequency service through the centre of London, better connecting communities from Cambridge and Peterborough all the way to Brighton.
Fares underpin investment in better services

We’ve been investing to improve for many years.

This has enabled train companies to run over 4,400 extra services a day than compared to 1998 – a 28% increase. The frequency of services on many key long-distance routes into the capital has doubled since the mid-1990s. Elsewhere:

- Leeds to Huddersfield to Manchester
  - 33 more services a day
  - 69% increase

- Glasgow Queen Street to Edinburgh
  - 25 more services a day
  - 68% increase

- Leeds to Edinburgh
  - 13 more services a day
  - 650% increase
Safety has also been transformed.
Following a spate of tragic accidents at the turn of the century, our passengers and our people now travel and work on one of the safest railways in Europe.
Government rightly influences the level of rail fares

The vast majority of funding for the railway comes from two sources – passengers and taxpayers. Given rail is a vital public service, politicians rightly determine the balance between these two groups.

Over time, successive governments have decided that the money raised from farepayers, rather than taxpayers, should cover as much as possible of the cost of running the railway day-to-day.

This means fares have gone up with passengers paying more, keeping taxpayer support down.

Government directly influences changes to around 45% of fares which are regulated, including season tickets. The rest are heavily influenced by the payments train companies make to government.

Our railway receives less public funding than almost any other major European railway – meaning passengers pay more of the cost of running trains. This frees up government funding for investment back into the railway.

According to ORR statistics, last year was the fourth time in the last five years that fares have risen below inflation.

We always want to give customers a better deal and would support any decision by government to move to the CPI measure of inflation for regulated fares. We will be working with Government to develop proposals as part of the Williams Review to improve efficiency, making it easier in future to balance fares levels with industry costs such as keeping the trains running and maintaining investment in the rail network while also making sure that our hardworking staff are paid fairly.
3. Government influences fares

Balance of financials

2010-11
57%
from passengers

2015-16
70%
from passengers

Latest figures available

Passengers
Taxpayers

Image: Track work at Liverpool Lime Street station
Since 2004 the cost of running the rail network has fallen by 20% as companies have sought to drive efficiencies. Looking at the railway as a whole, the £10.5bn a year generated by the industry from fares and other income now more than covers day-to-day running costs. This means that, in effect, the £3.7bn of annual government funding for the railway is being invested on building a bigger, better rail network benefiting people now and for generations to come.

### Industry financials 2015-16 (£bn)

- **Income**
  - Industry generated income: £10.5bn
  - Government funding: £3.7bn
- **Costs**
  - Day to day costs: £10.3bn
  - NR capital and financing cost: £3.9bn
With 98p in every £1 paid of fares going back into running the railway, income from passengers is crucial to underpinning improvements to the network.

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<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>TOC profit</td>
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<tr>
<td>Train leasing</td>
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<tr>
<td>Staff</td>
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<tr>
<td>Fuel and energy</td>
<td>5%</td>
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<td>Franchise support/premia (net)</td>
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<tr>
<td>Track access and other infrastructure costs</td>
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<tr>
<td>Other cost (incl. train maintenance, administration, contractors)</td>
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Regulations underpinning rail fares have remained unchanged since the mid-1990s. There are now around 55 million different fares in the system and, as a result, it has become increasingly difficult to guarantee people are getting the right fare.

The industry is working hard to improve the things in our control such as clearing up confusing jargon and introducing advance fares for purchase on the day of travel.

“This summer, working together, we ran a nationwide ‘easier fares’ consultation in partnership with independent watchdog, Transport Focus. This received nearly 20,000 responses. We are now working on proposals to take to Government to help inform decisions that we hope will make ticket buying simpler and easier. 

We want to see root and branch reform of outdated regulations.”
We need once-in-a-generation reform of the whole railway

While we are delivering change now to make improvements within the current structure for running our railways, we have called for a root and branch review of the whole railway system. That’s why we welcomed the announcement by Government of its independently chaired rail review.

We will be working with Government to develop proposals as part of the Williams Review to improve efficiency. Making it easier in future to balance fares levels with industry costs such as keeping the trains running and maintaining investment in the rail network while also making sure that our hardworking staff are paid fairly.

We believe the test of success for the review must be to deliver a railway that:

• puts customers at its heart;
• increases accountability;
• delivers value for money;
• drives economic growth across the country;
• strengthens communities;
• inspires our people

We are developing a set of big, bold proposals to achieve this.