I write further to my appearance before the Chair and Committee on 22 October 2018 regarding their inquiry into Rail timetable changes.

We have looked carefully at the implications of freezing fares for passengers on services affected by the May timetable disruption, together with a number of other measures to compensate affected passengers.

The industry needs to be accountable not just to Ministers, but also to passengers, and that is why I required the industry to fund special compensation schemes on Thameslink, Northern and the TransPennine Express. Annual, monthly and weekly season ticket holders will receive compensation based on the equivalent cost of one to four weeks’ rail travel, and regular travellers holding other types of tickets will also be compensated. This compensation is more effective and targeted than a fares freeze, and benefits passengers more. These schemes mean, for example, that a commuter from St Albans buying monthly season tickets will have received around £350 in compensation, rather than saving around £120 on the cost of their season ticket as a result of a fares freeze.

While this compensation package is being funded and paid for by the rail industry, a fares freeze would push costs on to taxpayers. It is unfair to ask people who do not use trains to further subsidise those who do. Taxpayers already subsidise the network by more than £4bn a year – meaning that more than half of our transport budget is spent on rail journeys. A fares freeze
would also have a compound impact on industry finances, with future inflationary increases based on a lower fare level. We must bear in mind that the fares that passengers pay are crucial to the operation and enhancement of the railway, with an average 98p in every £1 reinvested in the network.

I want to see lower levels of increase for passengers in future. A key part of achieving this without additional burden on taxpayers will be to ensure that costs in the industry rise no faster than ticket prices. This will require a move away from the use of the Retail Prices Index in the way the industry operates to the more commonly used Consumer Prices Index. I have written to the rail industry and the unions, asking for their help to move costs in the industry to the lower rate of inflation. With their help we could limit future fares rises for passengers.

I hope you find this reply helpful.

Rt Hon Chris Grayling MP
SECRETARY OF STATE FOR TRANSPORT