
Secretariat memorandum

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Agenda item 11

FT25

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c2c and Transport for London add-on fares

1 Purpose of report

- 1.1. To provide information on an issue affecting through fares between Central London and stations in South Essex and vice versa.

2 Recommendations

- 2.1. Through fares to Central London are based on a combination of fares, and clear rules are required to ensure that all operators work on the same assumptions regarding the points at which transfers are assumed to be made. In those instances where there is a plausible choice, these should be selected in such a way as to offer passengers the best value for money.
- 2.2. That the Committee notes the continuing concerns relating to the method used to calculate through fares and the resultant ongoing concern about value for money of such fares.
- 2.3. That the Committee supports the officers' approach and notes that negotiations are ongoing between c2c and TfL on this matter. In the event of the two parties failing to agree on a reasonable solution, to agree what further action if any should be taken on this issue.

3 Background information

- 3.1. This issue arose from correspondence with Angela Smith MP in April last year. One of her constituents raised concern that he was being charged a higher fare for his journey from Laindon to Kings Cross than would be charged for the journey in the opposite direction. The 2008 c2c fare for the journey was £11.30 for a single between Laindon and Kings Cross, while the fare charged by London Underground for the journey between Kings Cross and Laindon was £8.50. The initial replies received from the operators had stated that the issue could only be resolved by the other, and Passenger Focus had asked London TravelWatch to take the issue forward on the basis that we were best placed to deal with both operators.
- 3.2. Upon investigating the issue, it transpired that there was a disagreement as to how through fares from all stations in South Essex to Central London should be priced. Transport for London (TfL) informed us that, while it has a written agreement concerning pricing and revenue sharing for through tickets between National Rail out-boundary stations and Underground stations, it does not specify the formula to be

used. However, TfL believes that it has always been understood that the price to be charged was the one which offered best value to the passenger. In the case of a single ticket from Laindon to Kings Cross, therefore, in 2008 it charged the sum of c2c's Laindon – Upminster fare (£4.50) and its own Upminster – Kings Cross (Zones 1-6) fare (£4.00), providing a total fare of £8.50.

- 3.3. c2c's practice, however, has been to add its own Laindon – London Terminals fare (£7.30) to the Underground's Zone 1 fare to cover the leg from Fenchurch Street to Kings Cross (£4.00), giving a total of £11.30 resulting in charging some 33% more for the same journey. c2c argues that their fare reflects the actual route taken by the customer and that, in order to take advantage of the cheaper fare available by using the London Underground formula, passengers would need to alight and rebook at Upminster. Their view is that the changes to London Underground's fares (such as the increase to £4 for a single fare in Zones 1-6) have led to the distortion in the criteria and they claim that they have not changed their practice.

4 Analysis by London TravelWatch

- 4.1. As a matter of principle, we believe that it is desirable for both operators involved to price journeys in the same way. This ensures that only one price is advertised to the consumer, and gives certainty as to each operator's share of revenue for each journey.

- 4.2. We have noted that the National Fares Manual states the following:

Tickets for journeys from Zone U1 to c2c, First Capital Connect (services from Kings Cross/Moorgate to Stevenage, Peterborough, Cambridge and Kings Lynn) and National Express East Anglia (West Anglia) stations:

c2c, First Capital Connect and National Express East Anglia have interchange points outside Zone 1. Prices for through tickets from Zone U1 may be obtained by adding the LU zonal price shown in Table 3 to the price from the interchange point. For example Zone U1 to Stevenage via Finsbury Park, add the U12 fare from Table 3 to the fare from Finsbury Park to Stevenage.

In the example outlined, the single ticket from Stevenage to Oxford Circus, First Capital Connect charge the sum of their Stevenage – Finsbury Park fare (£10.40) and TfL's Finsbury Park – Oxford Circus (Zones 12) fare (£3.00), a total of £13.40. This example is not wholly conclusive, since it does not specify whether or not such a fare is only available to those actually changing at Finsbury Park, but in practice no such requirement could be enforced because tickets by both operators are interchangeable between Kings Cross and Finsbury Park and there is therefore no requirement for anyone actually changing at the former to have a ticket priced on that basis.

- 4.3. We researched the practice in similar cases. For example, FCC's fare for a ticket from Luton to London Underground Zones 12 is priced at the sum of the FCC fare to the first interchange point (West Hampstead) and the Underground fare from there to Zone 1, irrespective of whether the transfer is actually made at West Hampstead, Kentish Town, St Pancras or any subsequent point.
- 4.4. This follows the principles advocated by TfL in respect of the c2c route, not those used by c2c. We consider that the price setting mechanism used by TfL is the correct

basis for pricing these fares and reflects the statement about these fares which is in the National Fares Manual.

- 4.5. c2c's trains run in parallel with those of the Underground between central London and Upminster. Tickets between the two routes are interchangeable, and it is possible to transfer at either Upminster, Barking, West Ham or Fenchurch Street, regardless of the ticket held. Prices for journeys between points on one network and the other are calculated by summing the National Rail and Underground fares for their respective legs, and because (on this route) there are several possible interchange points, there are several possible fares resulting for the same end-to-end trips.
- 4.6. The c2c approach of combining a National Rail fare to a London terminus with an Underground fare for Zone 1 is normally only used for fare setting when there is no intermediate interchange point at which transfers to/from the Underground could plausibly be made in the course of journeys to/from central London. The operators that use this approach use a Zone 1 add-on fare of £3 (for a single ticket). However, because passengers are able to change at Upminster which is in Zone 6, c2c charge an add-on fare of £4, so in effect passengers are double-charged for the section between Fenchurch Street and Upminster.
- 4.7. We note that c2c uses the same approach for all through fares to Zone 1 Underground destinations, irrespective of the route likely to be followed. While the passenger in question used the c2c service as far as Fenchurch Street, many others change trains at Upminster or Barking to destinations such as Liverpool Street or Bank or West Ham for destinations such as Westminster of the West End.
- 4.8. We are concerned that the current c2c fare provides poor value for money and as such the c2c approach effectively undermines through ticketing. Currently, the through ticket price charged by c2c is identical to the price of booking two separate tickets from Laidon to Fenchurch Street and Tower Hill to Kings Cross. If the passenger were to purchase an Oyster card, the fare would be £1.60, rather than pay the £4 add-on fare. If they were to change trains on route, as c2c admits, the through ticket is more expensive than buying two separate tickets.

5 Progress on issue

- 5.1. TfL and c2c each maintained that its practice is correct and, when referred to them, ATOC were unwilling to intervene on the issue. Therefore, in view of the continuing disagreement, we referred the case to the Department for Transport.
- 5.2. A meeting was held at the Department for Transport's (DfT) offices between the DfT, c2c, ATOC and London TravelWatch on 13th March (Passenger Focus were invited but were unable to attend). We outlined our concerns with the current fares setting arrangements, and that we considered that through fares needed to provide good value for money. c2c, supported by ATOC, raised concern about the revenue implications of any change. We stated that our preference was for these fares to be priced according to the TfL formula, but if this was not possible, consideration should be given as to whether through tickets for which the cost was higher than a combination of tickets should be offered at all. We stated that we considered that the DfT should act as arbiter on the issue and ensure a consistent approach.
- 5.3. The Department for Transport accepted the need for an agreed formula for setting these fares, and noted that all parties were keen to retain through fares in principle. It

was noted that the amount of revenue “at risk” if a change was implemented may not be too significant as many passengers buy Travelcards rather than through tickets on this route (possibly due to the poor value offered by the latter). It was also accepted by all that whatever fare is set for through journeys should provide the correct amount of revenue for both c2c and TfL, and therefore there was value in analysing where passengers alighted from c2c services and boarded TfL ones in practice.

- 5.4. It was agreed that there may be scope for reaching an agreement between c2c and TfL on this issue. Therefore, c2c and TfL were tasked with negotiating a solution between themselves and to report back. Any resulting changes to fares could be implemented in September. We understand that the initial meeting between the two parties took place this week.

6 Equalities and inclusion implications

- 6.1. This report raises no specific equalities issues for London TravelWatch.

7 Financial implications

- 7.1. This report has no specific financial implications for London TravelWatch.

8 Legal powers

- 8.1. Section 248 of the Greater London Authority Act 1999 places upon London TravelWatch (as the London Transport Users Committee) a duty to consider - and where it appears to the Committee to be desirable, to make recommendations with respect to - any matter affecting the functions of the Greater London Authority or Transport for London which relate to transport (other than of freight). Section 252A of the same Act (as amended by Schedule 6 of the Railways Act 2005) places a similar duty upon the Committee to keep under review matters affecting the interests of the public in relation to railway passenger and station services provided wholly or partly within the London railway area, and to make representations about them to such persons as it thinks appropriate.