

REQUEST FOR MAYORAL DECISION – MD435

Title: pay as you go charging rules for rail journeys

Executive Summary:

This paper proposes changes to the pay as you go (PAYG) charging rules on TfL rail services to make fares more sensitive to the route taken, as evidenced by passage through a gate-line at an interchange station or by a passenger tapping their Oystercard on a specially designated validator.

The need for change was raised last year by London Travelwatch following complaints by user groups that the current charging rules were not sufficiently sensitive to the routes adopted by individual passengers. Travelwatch are aware of the latest proposals and are generally content with them.

The new charging rules will make the application of the PAYG fares scales set by the Mayor more accurate and are an essential foundation for the extension of PAYG to National Rail. This extension will greatly increase the number of situations where the PAYG fare for a journey will depend on the route taken.

Passengers making some 60,000 PAYG journeys a day will have a new opportunity to opt for a route with lower, not via Zone 1 fares. Some 10% of these passengers are expected to opt for the low fare routes – most but not all of which involve significant additional time penalties.

Passengers making some 7,000 PAYG journeys a day will no longer automatically receive a not via Zone 1 fare but will be able to continue paying non-Zone 1 fares by validating their cards when they interchange between lines – either at a gateline or using new interchange validators.

Changes affecting a few hundred cash fare journeys a day will also be made to provide consistency with the new PAYG charging rules.

Overall, the changes are expected to break even. The principal outcome will be a better match between the published PAYG fare scales – which will not change – and the charges made for individual journeys.

Publicity will be put in place at the relevant interchange stations to alert customers to the need to validate to receive the lower fares. In addition, for a grace period of four weeks, any customers making journeys which formerly automatically received non Zone 1 fares will be given quibble free refunds by the Oyster helpdesk

It is proposed to introduce the new charging rules from 6 September 2009 as part of a major software release intended to pave the way for PAYG on National Rail. The new software release will then be subject to exhaustive testing prior to the anticipated launch of National Rail PAYG towards the end of 2009 or at the start of 2010. It is regarded as essential that all aspects of this very high profile extension are fully tested prior to launch

Decision:

The Mayor is asked to:

- Approve new “pay as you go” (PAYG) charging rules to make rail PAYG fares more sensitive the route taken.
- Approve new charging rules for certain single and return cash fare rail journeys to retain consistency with the new PAYG fare rules;

Mayor of London

The above request has my approval.

Signature

Date

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**Decision required – supporting report****1. Introduction and background**

The Mayor is asked to:

- Approve revisions to the Oyster “pay as you go” (PAYG) charging rules to enable the fares for rail PAYG journeys to reflect better the actual route taken. At present, PAYG rail fares are set without regard to passengers’ actual choice of route or interchange stations used.
- Approve revisions to single and return cash fare charging rules to retain consistency with the changes to the PAYG charging rules;

Why approval is being soughtOverview

- 1.1 As well as the Underground, TfL rail services now include the DLR and orbital services on the Overground. As a result, for significant numbers of journeys, particularly those starting and finishing on opposite sides of central London, a choice of routes is now available. In principle, journeys made via Zone 1 pay a higher fare than journeys made outside Zone 1. However, currently it is only

possible to apply a single PAYG fare for an end-to-end journey regardless of the route taken. Every end-to-end rail journey is therefore currently classified as either “via Zone 1” or “not via Zone 1”.

- 1.2 The need to improve this system was raised last year by London Travelwatch in the context of complaints by user groups associated with the North London Line and Gospel Oak to Barking Line. The proposals to address these issues described below have been discussed with Travelwatch and they are generally content with them. The proposed new charging rules do make the PAYG fare system more complex but it is accepted that this is unavoidable if fares are to be route sensitive.
- 1.3 The Oyster system has now been enhanced to allow the fares for rail PAYG journeys to vary to reflect the route actually taken by individual users. The route taken will be evidenced by automatic readings taken at interchange station gate-lines at or by passengers tapping their Oystercards on specially designated validators when they interchange.
- 1.4 The new charging rules will make the application of PAYG fares more accurate and are also essential for the extension of PAYG to National Rail. This extension of PAYG will greatly increase the number of situations where the fare charged will depend on the route taken.
- 1.5 Interchange validators will be situated at the following stations from September 2009:
 - Blackhorse Road
 - Gospel Oak
 - Gunnersbury
 - Highbury & Islington
 - Kensington Olympia
 - Rayners Lane
 - Stratford (Overground)
 - West Brompton
 - Willesden Junction
- 1.6 Software modifications will be introduced to make use of the readings from the new validators and also of readings taken where passengers pass through gatelines (for example at interchanges such as West Hampstead) in the middle of their journeys.
- 1.7 These changes will allow PAYG fares to reflect more precisely the actual routes being taken on the Underground and other TfL rail modes and in due course on National Rail or a combination of National Rail and TfL services.

PAYG fares

- 1.8 The new rules mean that a number of passengers making journeys which are currently classified as “via Zone 1” will be charged a lower, not via Zone 1 PAYG fare if validation is made at an interchange point demonstrating that a not Zone 1 routing has been adopted. Examples of journeys where new, lower fare opportunities will be available are given in Table 1
- 1.9 Some 63,000 PAYG journeys (5.6%) out of 1.1m made each day in total will receive this new opportunity. The average uncapped adult fare for these journeys is currently 235p but will be 135p by the cheaper route.
- 1.10 For the bulk of these journeys, the cheaper route will take substantially longer – typically around a half an hour, with a spread from a few minutes to an hour or so. The most frequently used station involved is Canary Wharf in Zone 2, which a large number of passengers reach via the Jubilee Line from stations on the West side of London, attracting a Zone 1 fare. Another popular destination is

Heathrow which, for those travelling from East London, normally involves going through Zone 1 on the Piccadilly, District and/or Victoria Lines. Passengers will be able to avoid these higher fares by changing on to the North London Line, for example at West Hampstead or Stratford.

- 1.11 In practice, only a minority of the passengers in scope – at most 10% to 15% - are expected to prefer to make such circuitous journeys to reduce their fare, putting the net revenue reduction in the region of £2m.
- 1.12 For a smaller group of PAYG users, where the current route is always assumed to be not via Zone 1, the new rules will mean that the fare charged will increase if an interchange validation is not made to signal that a not via Zone 1 route is being adopted. Only around 7,000 PAYG journeys per day (0.6% of the total) will be in scope for such increases. Examples of journeys which will be charged via Zone 1 if no intermediate validation is made include Highbury/Finsbury Park/Seven Sisters to Canary Wharf, currently charged via Zones 2 and 3, assuming travel via the North London Line and Stratford. Further examples of are given in Table 2
- 1.13 The average uncapped adult fare is at present 132p but will increase to 322p if the via Zone 1 fare is applied. However, in many cases, the not via Zone 1 route produces actual time savings and where a time penalty does exist, it is relatively modest, up to 15 minutes or so - see Table 2. Accordingly, it is projected that around half the passengers making these journeys will opt for the not via Zone 1 route. The resulting increase in fares revenue of around £2m pa will offset the decrease noted in 1.10 above from journeys where new less costly routes than today will be available.
- 1.14 Publicity will be put in place at the relevant interchange stations to alert customers to the need to validate to retain their lower fares. In addition, for a grace period of four weeks, any customers who formerly automatically paid non Zone 1 fares will be given quibble free refunds by the Oyster helpdesk

Cash fares

- 1.15 To maintain consistency with the new PAYG rules, the route used as a base for the cash fare for a journey will follow the PAYG fare charged if no intermediate validation is made. Some 600 cash fare journeys per day (0.6% of all cash fare journeys) will be affected. If all those paying cash fares for these journeys continue to do so, it will increase revenue by £120,000 pa. The most common change will be from 320p, the non-Zone 1 fare, to 400p, the cash fare including Zone 1. The average fare paid by all those affected will increase from 320p to 380p. However, by switching to PAYG, any fare increases can be avoided.

2. Issues for consideration

a) Links to strategies and Strategic Plan

- 2.1 The overall aim of these fare proposals is to ensure that fare policy fully supports the objectives and policy criteria set out in the Mayor's Transport Strategy. The Mayor's criteria for achievement of these aims set out in the Transport Strategy include:

- promoting the **more effective use of public transport's capacity** by encouraging travel when demand is slack or where additional service capacity can be provided at reasonable cost; this is contributed to by setting the charges for Underground and other TfL rail travel more in line with the route actually taken, and reducing the fares for those who avoid the central area where spare service capacity is most limited.

- promoting **social inclusion** by making access to public transport more affordable for less well off groups; this will be encouraged by lowering fares for certain journeys going through the more deprived inner suburban areas outside Zone 1;
- developing a common ticketing and fare system for rail in London, aiming for **simplification, integration and consistent Smartcard ticketing** will be brought a step nearer by the Tube Oyster PAYG fare changes which will help to facilitate the extension of PAYG fares to the National Rail network in London later this financial year.

b) Impact assessments and Consultation

2.2 These fares changes are projected to have an insignificant effect on revenue. There are minimal implications for health and sustainable development.

2.3 The Mayor is not required to conduct a statutory consultation on fares.

c) Risk

The fares changes will only affect a small proportion of TfL's passengers and have very limited revenue implications.

Table 1: Examples of journeys where new, lower PAYG fares will be available if an interchange validation is made

From	To	Current route assumed			New alternative route			Lower fare charged if interchange validation made at:	Time Penalty of lower fare route (mins)
		Zones	PAYG price (p)		Zones	PAYG price (p)			
			peak	off peak		peak	off peak		
Finsbury Park	Upminster	123456	380	220	23456	200	110	Blackhorse Road	30
Earls Court	Harrow & Wealdstone	12345	370	220	2345	200	110	Kensington Olympia	62
Earls Court	Harrow on the Hill	12345	370	220	2345	200	110	Rayners Lane*	6
Wembley Park	Canary Wharf	1234	280	220	234	200	110	Stratford (Overground)	30
Wembley Central	Leyton	1234	280	220	234	200	110	Willesden Junction	11
Gunnersbury	Barking	1234	280	220	234	200	110	Gospel Oak	18
Gunnersbury	Walthamstow Central	123	270	220	23	110	110	Highbury & Islington	4
Wimbledon	Shepherds Bush	123	270	220	23	110	110	West Brompton	33
Turnham Green	Highbury & Islington	12	220	160	23	110	110	Gunnersbury	31

Table 2: Examples of journeys where new, higher PAYG fares will be charged if an interchange validation is not made

From	To	Current route assumed			New route assumed			Higher fare charged unless interchange validation made at:	Time Penalty of lower fare route (mins)
		Zones	PAYG price (p)		Zones	PAYG price (p)			
			peak	off peak		peak	off peak		
Watford Junction	Richmond	3456789W	350	110	123456789W	650	400	Willesden Junction	6 saving
Amersham	Heathrow	3456789	350	110	123456789	600	300	Rayners Lane*	1
Stratford	Cockfosters	2345	200	110	12345	370	220	Highbury & Islington	12
Harrow & Wealdstone	Ravenscourt Park	2345	200	110	12345	370	220	West Brompton	17
Brondesbury	Barking	234	200	110	1234	280	220	Gospel Oak	6 saving
Tottenham Hale	Barking	234	200	110	1234	280	220	Blackhorse Road	37 saving

* Most lower priced alternative routes involve using the London Overground, avoiding Zone 1. The exception shown in the above tables is via Rayners Lane where passengers can change between the Metropolitan and Piccadilly Lines.

3. Decisions

3.1 The Mayor is asked to:

- Approve new “pay as you go” (PAYG) charging rules to make PAYG rail fares more sensitive to the route taken.
- Approve new charging rules for a small number of single and return rail cash fares to retain consistency with the new PAYG charging rules;

4. Financial Comments

4.1 There are no financial implications for the core GLA from these proposals.

4.2 The impact of these proposals on TfL’s fares revenue is expected to be minimal with gains and losses offsetting. A small net revenue gain is possible if take-up of the new lower fares options is very small, otherwise a neutral effect is anticipated.

5. Legal Comments

5.1 Under section 174(1) of the Greater London Authority Act 1999, the Mayor is under a duty to exercise his power to issue guidance and directions to TfL under section 155(1) of the Act in such a way as to ensure that the general level and structure of fares for public passenger transport services, the general structure of routes and the charges for related facilities are determined. This applies to services provided by TfL and other parties who provide services acting under contracts with TfL. The proposed direction is to be made under section 155(1)(c) which allows the mayor to issue specific directions to TfL as to the exercise of its functions.

6. Background/supporting papers

None.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the Greater London Authority website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? NO

If yes, for what reason:

Until what date:
Is there a part 2 form - NO

OFFICER APPROVAL:

Tick to indicate approval



Sponsoring Director:

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

Mayoral Advisor:

Kulveer Ranger has been consulted about the proposal and agrees the recommendations.

Head of Law:

The Head of Law has commented on this proposal.

Executive Director, Resources

I have been consulted about the proposal and confirm that Financial and Legal advice have been taken into account in the preparation of this report.

Signature

Date

Deputy Mayor, Policy and Planning

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date