



MK Rail Users

Issued by Jill Hope, Press Officer
Tel: 07887 995653
e-mail: jill.hope@mkrailusers.org.uk
web: www.mkrailusers.org.uk

A Better Deal for the New City's Rail Users

Press Release

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Demand Management - massive fare rises for MK

Under the direction of the Government, through the auspices of the Department for Transport, London Midland, which provides rail services to MK commuters and has been running services at an unacceptably poor standard for many months, are duty bound within their franchise agreement to introduce massive fare rises in January 2010 for many commuters.

In the past fare rises have been regulated by the Government, and pegged at no more than RPI + 1%. With the recession, there was even the possibility of fares falling in January 2010 when the next round of fare rises take effect.

Now **MK Rail Users** have discovered that London Midland, in common with other train operating companies, has placed orders for new equipment and have the agreement of Government to implement a new way of charging fares called Demand Management Regulation.

What does this mean? The system is like the Oyster card in use in London, and allows more flexible charging patterns rather than fixed price season tickets. Now the rail companies can charge more in the peak time depending on the actual time Commuters travel. **MK Rail Users** have discovered that the charge for travelling at the height of peak time will be allowed to rise as high as RPI + 5% + 1%.

The peak travelling period stretches from 04:00 to 10:00 and this mechanism is designed to persuade people to travel in the 'shoulders' of the peak rather than at the busiest times. The train operating companies will be allowed to substantially increase fares at the height of the peak, and this will not be in breach of their franchise agreement as long as, on a basket of fares, the overall rise is no more than RPI + 1%. This does mean that those who can travel at the earlier or later times may receive fare reductions.

Philip Lawton, Chair of MK Rail Users said: "If people had more control over their working hours, it would be understandable to persuade them to change travelling habits. By encouraging commuters to spread their journeys by the use of higher fares in the busiest part of the morning peak, overcrowding could be reduced. But most people working in London have no choice about their working hours - they have to staff their office from 9 to 5 and cannot change that."

"These people will be absolutely horrified when the price increases are implemented in January. In 2010 particularly this will create even greater hardship as thousands receive no pay increase and many are having their salaries reduced as the recession bites."

"MK Rail Users is astonished that this change has been decided and is being implemented by stealth without consultation with customers. We will be lobbying hard to prevent this being introduced, not only now at this time of economic crisis but also at any time in the future."

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Note to editors:

The attached Appendix gives the detailed explanation of the workings of Demand Management as it will affect Milton Keynes commuters, but this is also the case for other train operating companies throughout the UK.

APPENDIX

The Impact of Demand Management Regulation of Fares on Train services between Milton Keynes and London

Introduction

The plans are described in the guidance¹ which was issued to bidders for the West Midlands Rail Franchise – which is now operated by London Midland. The guidance is contained in documents which were obtained by **MK Rail Users** under a Freedom of Information Act application to the Department of Transport in January 2009. At the time of writing, this guidance does not yet appear to be in the public domain.

Demand Management Explained

The plan to be implemented will be to define flows of passengers on trains during busy periods – essentially during the morning peak. For passengers travelling from Milton Keynes to London, the morning peak is defined in the guidance to include all trains arriving in London between 04.00hrs and 10.00hrs in the morning.

What the guidance² says [text in square brackets are comments by MK Rail Users]:

- *On each of the Demand Management Flows, the bidder will be free to vary the price charged for travel in the peak, by time and/or day as they see fit, subject to the Demand Management Fares Regulation set out below;*
- *On each of the Demand Management Flows, the bidder will be free to vary the nature of the products offered [i.e. tickets] for travel in the peak, subject to the Demand Management Fares Regulation set out below. It will no longer be compulsory to offer 'classic' unlimited-journey 7 day, monthly or longer season tickets. This is intended to offer more innovation in the packaging of commuter travel e.g. to recognise that working patterns are moving away from 5-days per week travel.*
- *The current London Commuter Fares Basket will continue to operate but those flows designated as Demand Management Flows that currently sit within this basket will be removed; similarly, flows designated as Demand Management Flows will be removed from the Birmingham Commuter Fares Basket and Protected Fares Basket.*

What the guidance³ says [text in square brackets are comments by MK Rail Users]:

Demand Management Fares Regulation

- *London Commuter Fares and Birmingham Commuter Fares on Demand Management Flows will be removed from the relevant fares basket and a yield regulation system will be used to regulate commuter fares for these journeys;*
- *The average fare paid by peak passengers over any single Demand Management Flow will be limited to an annual increase of no more than $RPI+X\%$ where the current regulated value of $X=1$ should be assumed [at the time of bidding] and no individual with any pattern of travel should experience an increase of more than $RPI+X+5\%$;*
- *The average fare paid by passengers will be defined as the total revenue from passengers travelling on Demand Management Flows on peak trains, divided by the number of passengers travelling on*

¹ DMPD – Demand Management Principles Document. Ref: LON1042029 120521-0007. Pub: Department of Transport.

² DMPD – Demand Management Principles Document. Ref: LON1042029 120521-0007. Pub: Department of Transport.

³ DMPD – Demand Management Principles Document. Ref: LON1042029 120521-0007. Pub: Department of Transport.

those Demand Management Flows on peak trains. Regulation would be managed on a "weighted average yield" basis;

- The bidder will be responsible for ensuring that the technology for their demand management system is capable of producing auditable statistics for the number of passengers to enable effective regulation.

What is a Demand Management flow?

The principles of Demand Management flows are illustrated diagrammatically in Figure 1.0.

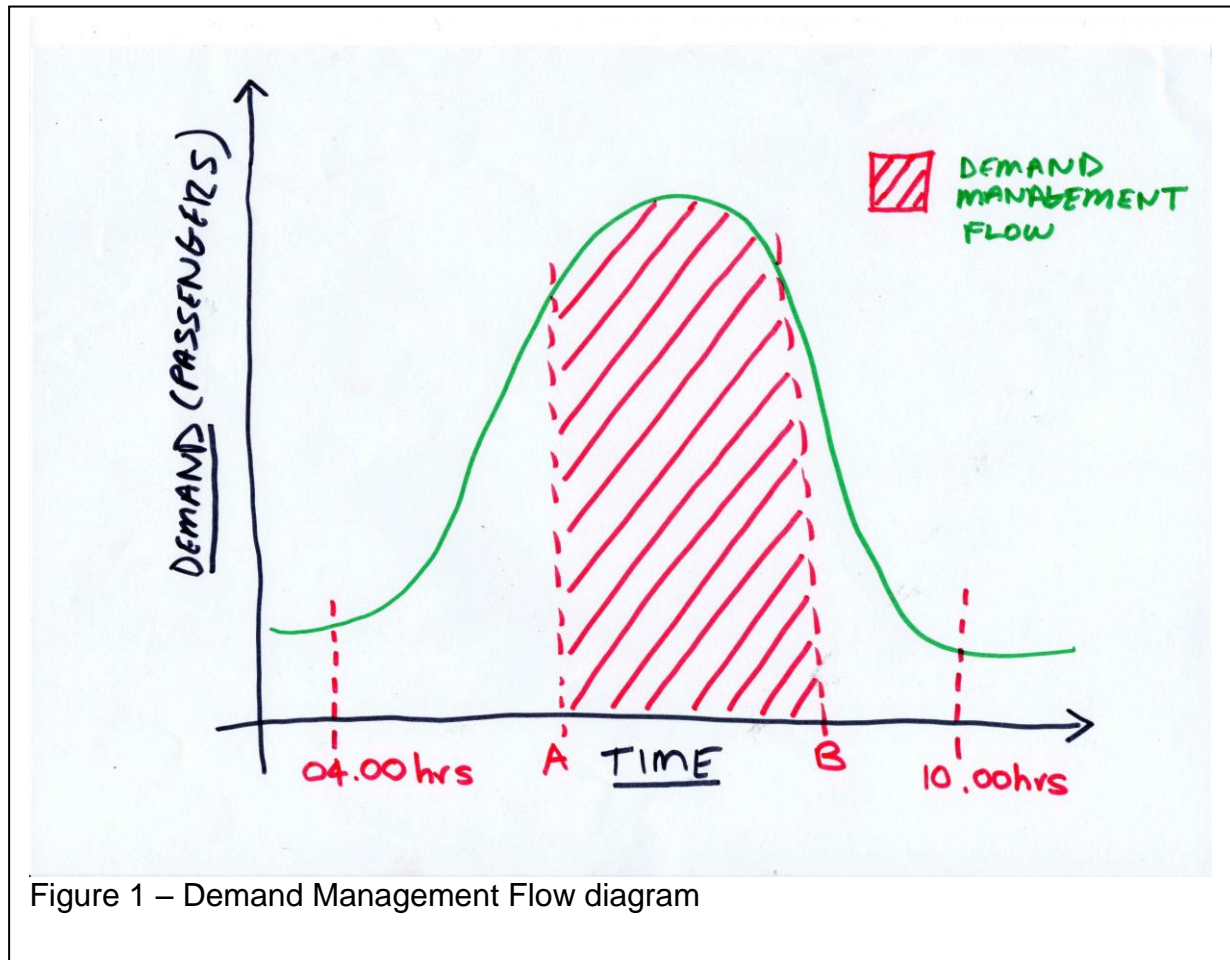


Figure 1 – Demand Management Flow diagram

In the diagram, the morning peak is defined as trains arriving in Euston between 04.00hrs and 10.00hrs Monday to Friday. Most commuters will be familiar with the shape of the curve, with the busy period building up earlier in the morning to a peak flow and reducing later in the morning.

The time period between 04.00hrs to time 'A' and between 'B' to 10.00hrs are called the shoulders of the peak. The time between A & B is the Demand Management Flow. This simple illustration indicates only a single Demand Management Flow, but London Midland and the Department of Transport could agree to divide the peak into several Demand Management Flows.

The times A & B which define the Demand Management Flow Period have not yet been agreed, but most commuters common experience will be that trains arriving into Euston between around 08.00hrs and 09.00hrs tend to be the busiest services.

The intention is that by charging higher fares during the Demand Management Period, the Department of Transport hope to persuade commuters to travel in the shoulders of the peak – by either travelling earlier or later. Passengers travelling during the Peak of the Demand Management Period will see fare rises of up to RPI+X+5% for travel during this period. The advantages proposed are that passengers who can travel outside this peak of the peak period, between A & B may be pay less for their journeys.

The implementation of this policy is dependent upon demonstrating the technology necessary to measure numbers of passengers travelling at particular times.

Timetable for Introduction of this Policy

The timetable for the introduction of this policy is that it is intended that London Midland should reach agreement with the Department of Transport on their plans by October 2009.

MK Rail Users understand that London Midland has already placed an order with a company to deliver Smartcard ticketing technology which is necessary to measure numbers of passengers travelling at particular times.

MK Rail Users anticipate the scheme being introduced from January 2010.

In a meeting held on March, the Department of Transport confirmed that they did not intend consult with passengers before this policy is introduced, but did expect London Midland to inform passengers of the arrangements.

Announcement by the Department of Transport

In response to questions at the TRANSPORT COMMITTEE hearing on RAIL FARES AND FRANCHISES held on Wednesday 25 February , Lord Adonis said:

'The point of regulation is to protect the passengers, especially commuters and others, who have little choice but to travel by rail.'

and later on he went on to say:

*I can tell the Committee that we propose to accept one of the main Passenger Focus recommendations. Although the average fares cap is RPI+1% a year in most areas, many people face higher increases in regulated fares because operators have freedom to increase some fares by up to 5% above the average increase. Passenger Focus have recommended that restrictions should be placed on this flexibility and I am happy to tell the Committee that the Government proposes to do just that. **In a time of economic stringency I do not think it acceptable for individual commuters to face significantly above average fare increases. The Government's intention is, therefore, that in future the cap should apply to individual regulated fares, not just to the average of each fares basket.**⁴ My officials will talk to the train operators about the practical implications of making this change, but we are determined it should take effect from this coming year's fare changes.*

MK Rail Users welcome this announcement and the Minister's view that he does not think it is acceptable for individual commuters to face significantly above inflation fare increases. However, MK Rail Users cannot reconcile this with the fare rises proposed under the Department of Transport's policy on Demand Management Regulation [refer to Appendix A].

Commentary on Demand Management Regulation Proposals by MK Rail Users

MK Rail Users feel that passengers should be consulted on this policy before it is introduced.

⁴ Text in bold highlight by MK Rail Users

MK Rail Users believe that the introduction of this policy will cause real hardship to passengers who commute from Milton Keynes to London [and Birmingham]. Firstly, those who must be at their places of work at a particular time and are unable to change to services which arrive earlier or later than the peak will be hardest hit by the new rise cap of RPI+X+5%.

MK Rail Users are aware that it is the expressed policy of London Midland's owners, Go Ahead, to raise fares by the maximum amount allowable⁵.

MK Rail Users welcome the comments made recently by Lord Adonis at the Transport Select Committee meeting held on 25th February who appears to express some concern about the effect above inflation fare rises have on commuters.

MK Rail Users welcome this announcement and the Minister's view that he does not think it is acceptable for individual commuters to face significantly above inflation fare increases. However, **MK Rail Users** cannot reconcile this with the fare rises proposed under the Department of Transport's policy on Demand Management Regulation [refer to Appendix A]. MK Rail Users would like the Transport Minister to confirm that in making this commitment to commuters that the policy described in the Principles of Demand Management Regulation to raise individual fares by up to RPI+X+5% for commuters in the morning peak.

MK Rail Users are disappointed by the level of service offered by London Midland and it is their view that the commercial success and profits shared by Govia/Go-Ahead and the Department of Transport are unacceptable given the very poor quality of train services provided.

END

⁵ The Guardian, 17th December 2008 – see Appendix B