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Ministers pressed to limit rail fare rises

By Mark Odell, Transport Correspondent

Ministers will come under pressure this week to curb inflation-busting rail fare rises for next year when the level of increases becomes clear on Tuesday.

Some commuters could face the prospect of paying 11 per cent more for season tickets.

Campaigners, unions and MPs from across the political spectrum will call on the government to ease the pressure on household budgets by scrapping its policy of increasing fares by an average of 3 percentage points above inflation.

Annual rail fare rises are based on July's retail price inflation (RPI) figures, which are expected to come in at just under 3 per cent when they are published on Tuesday by the Office for National Statistics.

However, the mechanism for setting regulated fares gives train operators the leeway to raise prices by a further 5 percentage points above any government-mandated rise, as long as this is balanced by cuts in other fares. So some fares could rise by up to 11 per cent.

"If the government sticks by its policy, rail fares will rise three times faster than salaries," said Stephen Joseph, chief executive of the Campaign for Better Transport advocacy group.

"With the economy flat-lining, this is untenable. The government know they can't continue to hit commuters."

Mr Joseph has support in the coalition. Julian Huppert and Lord Bradshaw, co-chairmen of the Liberal Democrats' parliamentary party committee on transport, wrote to Justine Greening, the transport secretary, recently, reminding her of Lib Dem policy to seek a real-term cut in rail fares.

"We welcome any movement towards our position, hence our support for the interim rate of RPI plus 1 per cent. We cannot endorse raising rail fares by RPI plus 3 per cent when family budgets are extremely tight," they wrote in a letter seen by the FT.

The "interim rate" came about last year when George Osborne, the chancellor, caved in to pressure shortly before rises were due to come into effect, cutting the average increase for regulated fares, which include season tickets and off-peak return fares.

Last year's late change followed strong lobbying by Ms Greening, who was reflecting the concerns of several Tory MPs in marginal London commuter constituencies about the impact of fare rises, which were due to have gone up by 8 per cent on average because RPI in July 2011 was running at 5 per cent.

The government wants to raise fares by 3 points above inflation for the next three years in an attempt to switch the onus for funding the railways from the taxpayer to passengers.

The total cost of running the railways is currently about £11bn a year, of which £7.2bn, or 65 per cent, comes from fares. The aim is to increase this to 75 per cent, while getting the industry to cut its costs.

The government would not comment on calls to ease fare rises. But in a statement Theresa Villiers, the rail minister, said it was committed to "pushing forward with reform, to reduce the cost of running the railways to help secure the £3.5bn of efficiency savings needed to end above-inflation fare rises".