

Tracey Crouch MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Rt. Hon Philip Hammond  
Secretary of State  
Department for Transport  
Great Minster House  
76 Marsham Street  
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6 October 2010

*Dec Philip*

**Southeastern Rail Fare Increases**

As a Kent MP who represents a vast number of rail commuters in my constituency, I am deeply concerned over speculation of significant fare increases. I would like in particular to draw your attention to the impact commuters using Southeastern face, the train operator responsible for setting fares across my constituency.

As you know, stipulated in their franchise agreement agreed by the previous Government, Southeastern have been permitted to raise fares by RPI plus 3%, owing to the significant investment in High Speed Rail in the region. This is greater than the majority of other train operators across the country who are subject to terms of RPI plus 1%; meaning commuters in my constituency have been subject to positive fare increases as opposed to small increases or fare reductions.

There are now further concerns resulting from the speculation that the basic RPI plus 1% formula could be broken following the Comprehensive Spending Review and conclusion of spending settlements. This has worrying implications for commuters using Southeastern given they already face steep fare increases. If indeed the basic formula is reconsidered, I would like to seek assurances that Southeastern fares will not be subject to the same percentage increase as those train operators subject to RPI plus 1% formula as commuters in the South East will rightly feel disproportionately penalised.

I already share the anger of Southeastern's commuters for the formula agreement under the last government. Many find it very difficult to afford and it puts a huge additional strain on their finances or simply encourages them to use their cars instead. I would be horrified if Southeastern passengers were asked to accept anything more than they are already paying.

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These are concerns no doubt shared across the country, but I would urge the Department to take into consideration Southeastern's particular set of circumstances when setting the level at which train fares in the region can be set.

*Yours ever*

*Tracey*

TRACEY CROUCH MP



Department for  
**Transport**

From the Minister of State  
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*Dear Tracey*

Thank you for your letter of 6 October to Philip Hammond about Southeastern rail fares. I am replying as Minister responsible for Rail.

I understand your concerns. I know fare levels are a matter of very real concern to your constituents.

As you acknowledge in your letter, the RPI+3 fares formula for the Southeastern franchise was set by the previous Government. The reason was set out by Alistair Darling MP, then Secretary of State for Transport, when he announced the award of the Integrated Kent Franchise to Govia on 30 November 2005.

He noted that the taxpayer had invested "more than £600 million in new rolling stock in Kent (i.e. 57 four-car Class 375 Electrostars and 36 five-car Class 376 Electrostars) in the last three years" and that Kent had seen "£93 million of investment in power supply, stations, depots and related infrastructure". He went on to announce that the total subsidy for the franchise would be £585 million over 8 years (in addition to the grant to Network Rail which also benefits rail passengers).

The fares regulation regime in use before 2003 for Southeastern's predecessors, which linked fare increases with rail performance, had driven fares down. Since performance had substantively recovered by 2005, it was proposed that Southeastern fares would be raised over 5 years to reflect investment made and to address this low base.

Next year will be the final one in which Southeastern has a different fares regime than most other parts of the network. From 2012, RPI+3 will become the standard formula across most of the country, including Southeastern.

I am sorry not to be able to promise fares reductions. However, I hope you will appreciate that our approach on fares has to reflect the gravity of the problems we face with the public finances. We need to balance the interests of both taxpayers and fare-payers.

The deficit we have inherited from the last Government has meant we have had to make some very difficult choices. One of these is to increase the general fares regulation formula from RPI+1 to RPI+3 from the start of 2012. This will enable us to take forward much needed investment in the railways to improve conditions for passengers.

However, please let me assure you that one of our top priorities is to get costs down on our railways. Recent research by the office of Rail Regulation indicated that Network Rail's costs are substantially higher than equivalent railways in Europe. An in-depth review is underway by Sir Roy McNulty to find ways to address this problem. Because of the pressing need to be fair to both taxpayers and fare-payers, we are determined to find the right solutions to deliver a more sustainable financial future for the railways.

Thank you for taking the time to contact me about this important issue for your commuting constituents.

Regards  
Theresa

**THE RT. HON. THERESA VILLIERS**