Policy paper - https://www.gov.uk/government/publications/railways-bill/railways-bill-fares

Railways Bill factsheet: fares

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When Great British Railways (GBR) is established, it will become the main body responsible for delivering rail passenger services in the UK. As part of this, it will have responsibility for setting fares on the services it operates. Alongside GBR, open access and devolved operators (for example, ScotRail and Transport for Wales) will remain responsible for setting fares for services they operate.

Rail fares are widely seen as complex and confusing, with the current system of fares regulation proving inflexible and ill-suited to a publicly owned railway.

The new Railways Bill will therefore empower GBR to simplify and modernise the fares landscape, enabling it to create a more intuitive and consistent experience for passengers while also granting greater commercial freedom to manage fares revenue and push forward with essential reforms.

What does the bill do?

The government is replacing previous fares legislation (section 28 of the Railways Act 1993) with updated provisions that suit a new, publicly owned passenger rail operating model, and its ambitions for fares reform. New legislation will:

- require GBR to set fares for its passenger train services as one of its core statutory functions
- give the Transport Secretary, Scottish and Welsh ministers power to set parameters and guardrails for the overall level of fares on the train services they designate
- safeguard in legislation the discount fares schemes targeting younger, older and disabled persons, ensuring that there is always a discount scheme to help people as there is today

These measures collectively empower GBR to simplify fares by providing a clear framework and statutory responsibility, while granting greater commercial freedom to design, adjust, and manage fares in line with customer demand and operational needs.

What do these changes mean in practice?

Conferring a statutory function on GBR to set fares

Currently, train operators such as LNER, Southeastern and Avanti set fares in accordance with requirements under their contracts and with certain other rules and

obligations set out in the Ticketing and Settlement Agreement (a cross-industry agreement that governs fares and ticketing, among other things, for rail passenger service operators and retailers).

However, as GBR will be a publicly owned operator, the government believes that it is desirable for its fares-setting role to be clearly set out in legislation. This role will improve the experience of buying rail tickets for passengers; instead of engaging with numerous different train operators' fares systems, which can often see discrepancies in the fares available even on the same routes, there will be a sensible, transparent, GBR-led fares policy covering the vast majority of the national passenger network. This will help people to understand what their train fare will cost for different journeys, and why.

Setting parameters and guardrails for overall fare levels

Fares regulation is intended to protect passengers from large and unnecessary fare increases, and to enable the management of overall fares revenue by government. Currently, the relevant authorities (the Transport Secretary, Scottish and Welsh ministers) have the power to ensure that fares are kept at 'reasonable' levels, which they exercise by determining categories of fares.

The current system of fares regulation separates fares into regulated or unregulated fares:

- **Regulated fares** are the ones that ministers can set guardrails around and intervene on if they are not considered 'reasonable'. These include season tickets, day singles and returns, Oyster PAYG (for most commuter journeys), off-peak returns between major cities, and some flexible fares around urban centres. These fares are subject to the regulated fares cap, which specifies how much they can increase overall on an annual basis. This cap is traditionally aligned to the July Retail Prices Index (RPI) figure of the preceding year. The existing formula also allows the government to add an additional percentage point amount either above or below RPI. In 2025, for example, fares were capped at about 4.6%, equivalent to the July 2024 RPI figure of 3.6% plus one additional percentage point. Existing train operating companies are required to comply with this cap.
- **Unregulated fares** are determined by train operating companies based on commercial strategy and include advance purchase tickets, first-class fares and certain flexible or 'saver' products. These fares are not regulated by the government at present.

Why do we need to replace existing fares regulation?

Fares regulation has been broadly unchanged for over 30 years and was designed for a privatised railway. The current system is blunt and inflexible – increases to fares

are applied in a blanket manner with both regulated and unregulated fares generally increasing in line with the annual regulated fares cap.

This has made it difficult to address anomalies in the fares system that contribute to passenger perceptions of fares as confusing and poor value for money. It has also preserved unfair regional disparities in fare levels, meaning that even within the services of an individual train operating company, passengers may see very different fares depending on where they live.

What are we going to do differently under GBR?

We will gradually move away from the current approach of an annual blanket increase to the regulated cap and towards giving GBR more commercial freedom to manage fares strategically over a financial settlement period, with the Transport Secretary monitoring its performance against the agreed parameters and guardrails.

By moving away from a rigid annual change process, GBR will be able to manage its fares more strategically. Rather than simply increasing fares by a set amount each year, GBR will be able to design a system that more accurately reflects how the network is being used, as long as it operates within an agreed commercial envelope over a given financial period. However, the Transport Secretary will continue to have oversight of the overall affordability of the railway, in the interests of both passengers and taxpayers.

The new system will also be flexible to accommodate different approaches to fares depending on market, in line with the direction of fares reform. For example, commuters are likely to need stronger reassurance and certainty around price than more discretionary leisure travellers who can be more flexible about when they travel to get the best possible deal.

Railcard discount provisions

Currently, train operators in England, Scotland and Wales participate in discount fare schemes targeting young, senior and disabled people. These are known as railcards – specifically the 16 to 25, Senior and Disabled Persons Railcards – and are managed by the Rail Delivery Group, a cross-industry body that works on behalf of the TOCs and other industry parties.

These groups are historically more likely to experience price as a barrier to accessing rail travel and its associated benefits (such as employment in a different area to where you live). Additionally, these groups are also captured under the protected characteristics of age and disability.

In the Railways Bill the requirement to offer discount schemes targeting these groups will be maintained, as discount fare schemes remain an important means for improving equality of opportunity by reducing the impact of price on someone’s

ability to travel by rail. Setting this out in primary legislation provides the strongest possible reassurance to these passengers that the schemes will continue to be offered under GBR.

Devolved governments and operators will also continue to be required to offer discount schemes for these groups, but will have discretion over whether they choose to participate in the national-level schemes managed by GBR or create their own schemes for their designated services.

What about other discount schemes?

Whilst other concessionary discounts not currently defined in statute will not be included in the bill, they are also important, particularly the variety of discounts available, for example for families, people travelling with companions and veterans. There are no plans to withdraw these offers.

Glossary of terms

Fare

The amount a passenger pays to travel by rail, from one station to another, and sometimes under certain conditions (for example, it might not be valid during peak times or on certain routes).

Rail Delivery Group (RDG)

A membership organisation that works on behalf of the TOCs and other industry parties. It runs services such as shared back-office systems and licenses third-party retailers to sell tickets.

Retail

Here, the selling of rail services and products to customers – through ticket offices, ticket vending machines, websites, apps and more.

Ticket

The physical or electronic item that a customer purchases, allowing the passenger to travel.

Train operating companies (TOCs) or ‘train operators’

The companies that run passenger trains. The Department for Transport (DfT) works with 14 TOCs, such as LNER, Avanti and Southeastern – all of which will become part of Great British Railways (GBR) under the Railways Bill. There are also open access TOCs (such as Lumo or Hull Trains) and devolved operators (such as Scotrail or Merseyrail). These however will not be part of GBR.