



Department
for Transport

From the Secretary of State
The Rt. Hon. Chris Grayling

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I am writing to you concerning the way in which train fare rises are calculated each year. I am aware that you have raised concerns about the level of increases in recent years, and I share your desire to see lower levels of increase for passengers in future.

A key part of achieving this without additional burden on taxpayers will be to ensure that costs in the industry rise no faster than tickets prices. This will require a move away from the use of the Retail Prices Index in the way the industry operates to the more commonly used Consumer Prices Index. I have already taken steps to ask the Office of Rail and Road to move away from the use of RPI in the contractual and regulatory structures that the industry uses. This will be part of the next regulatory period, which starts next year.

However as you will be aware, one of the industry's largest costs is pay. I support paying rail staff decent wages for the hard work they do, but I also now believe it is important that pay agreements also use CPI and not RPI in future when it comes to basing pay deals on inflation.

I am not opposed to above inflation pay increases being individually negotiated between trade unions and employers in the industry where there are productivity or similar improvements that create the financial headroom for such deals. But it is difficult to justify using a different measure of inflation in the rail industry to the one that is widely used across services like the NHS. I think it is time to move the industry onto the same basis as elsewhere.

I have therefore written to the Rail Delivery Group asking them to support the industry in developing an approach to move towards adopting CPI as the inflation measure for future pay deals. Jo Johnson, the Rail Minister, will be happy to meet you to discuss this issue.

Will be with


Rt Hon Chris Grayling MP

SECRETARY OF STATE FOR TRANSPORT