NEW ECONOMICS FOUNDATION

GETTING MOVING ON THE COST OF LIVING

A PLAN TO BRING DOWN BUS AND RAIL FARES

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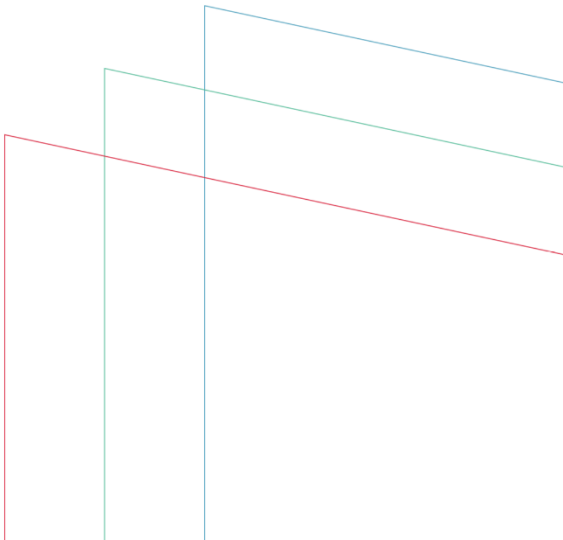

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EXECUTIVE SUMMARY

Transport is the largest expense, excluding mortgage payments, for rural households and the second largest for urban households. The contribution that public transport makes to meeting mobility needs at an affordable price has declined in recent years. Bus and rail fares have continuously risen since the 2000s, at levels significantly above average inflation. A high, and growing, level of car-dependency has resulted. This leaves households exposed to the high costs of car ownership, particularly when fuel prices spike.

Together, these vulnerabilities have put transport costs at the forefront of the cost –of living crisis. Indeed, alongside poor service provision and quality they have become totemic of the Britain's decline. Many households are simply unable to meet their essential transport needs. When mobility needs go unmet, society suffers, education and employment opportunities are missed, high streets decline, and social cohesion suffers.

Overcoming the transport challenge is also key to a fast green transition. So far, the high upfront costs of electric vehicles, and the neglect of public and active travel, have meant the transition being presented as a luxury for the elite, rather than something that would improve everyday life in the UK. Universal public transport provision can be one of the most foundational and transformative approaches to addressing inequality. It ensures that, no matter their personal, economic or geographic circumstances, individuals can access the essentials of a good life.

We propose two short-term public transport interventions that could make an immediate difference to UK households in the grip of a cost –of living crisis (Figure 1): a bus package including a £1 fare cap and free travel for under-25s; and a rail package introducing a major simplification and expansion of the railcard system. We also propose a target for the government to create a regional integrated rail and bus pass (leveraging the success of its rail nationalisation and consolidation work) by the end of this parliament (2029). These policies are aimed at enabling affordable access to transport, as well enabling greater connectivity for regions of England outside London, as well as those from lower-income households.

Our proposals create value for households both by reducing their everyday costs and meeting more of their travel needs. Our favoured bus fare policy creates £60 of value per year per bus user (averaged across over 31 million users), and our proposed new railcard creates £100 per year of value for rail travellers (averaged across over 5 million buyers). Our integrated regional transport pass proposal generates up to £500 of value per subscriber (averaged across over 5 million subscribers). Young people benefit disproportionately, gaining around £235 per user per year at scheme maturity (averaged across over 7 million young users).

Polling published by Persuasion UK shows that the bus fare policy we tested has extraordinary political pulling power. By some margin, a £1 bus fare cap is the single most positively impactful policy on public voting intention of any of the cost –of living support measures they tested. Meanwhile, free travel for under-25s has, by some margin, the highest rate of spontaneous recall among the public of the policies tested.

For our policies to be the most impactful, they must be combined with urgent infrastructure and service improvement. This includes improving route accessibility and availability on the bus network, alleviating rail capacity constraints (such as the critical East Midlands/ CrossCountry bottleneck), and current concerns around consumer experience and ticketing. We included some of these considerations within the model, but further work is required.

The governance and ownership structure, as well as the devolution of transport services is not discussed in detail in this briefing. NEF has long recognised that devolution is necessary and valuable for creating more inclusive regional economies and bringing decision making closer to residents. Increasing local power to set, fund, and integrate regional transport will amplify fare policy impacts. Moreover, our proposals align well with the government's ongoing work to nationalise train operation and simplify stewardship of the network and ticketing.

Figure 1. Proposed public transport interventions in bus, rail and integrated transport

Short-term interventions		Medium-term reform
Cutting the cost of buses	**Cutting the cost of rail**	**Cutting the cost of integrated transport**
We propose the introduction of a bus fare cap of £1, alongside free bus travel for all under-25s.	We propose expansion of the network south-east railcard into a national railcard, and simplification of the railcard system.	We propose a monthly subscription model for regional integrated bus and rail outside of London.
Highly progressive interventions, with greater savings gained by lower income quintiles. Strong impact on young people, including access to employment and studying opportunities.	Greater savings accruing to individuals in the top quintile. But impact is made more progressive by focus on off-peak non-south-east travel. Simplification of fare offer and consistency of the railcard discount across regions of England improves accessibility.	Reform benefits all social groups, with greater impact for those outside London. Significantly increases public transport usage thanks to the 'zero marginal cost' of travel with knock-on carbon and health improvements.
Implementation considerations that may grow and better distribute impacts from fare cuts include expanding bus route availability and frequency, alleviating capacity constraints on the rail network, and creating a new rail route classification system.		

THE PROBLEM

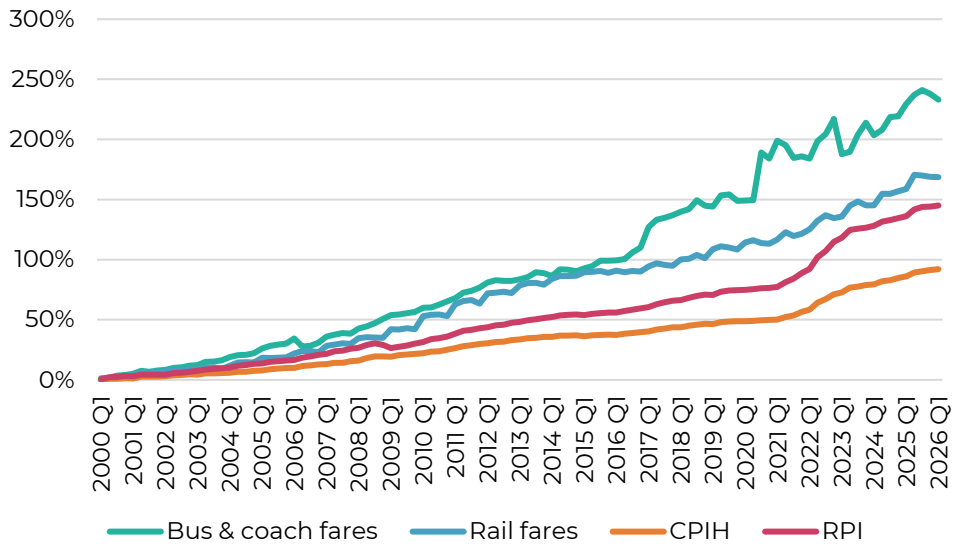
Transport is a large financial burden for UK households. It's the largest household expense (excluding mortgage payments) for rural households, and the second largest for urban households. Transport costs are estimated to push over 5 million people below the poverty line.[1]

UK households face an increased cost-of-living. Alongside energy bills, transport costs are a key driver of the price inflation households experience. In particular, petrol and diesel costs have spiked by around 25% in the past few months, reaching a similar peak to that hit in early 2022. While there is significant pressure on the government to counteract petrol price increases directly through fiscal policy, doing so can be counterproductive in a number of ways. Artificially supressing fuel prices through VAT or fuel duty cuts delivers support on a regressive income distribution, undermines the price constraint signal needed to manage scarcity, and harms decarbonisation progress. A preferable approach is to provide alternatives to private car transport that are cheaper and more sustainable. In many cases, rail and bus transport can provide such an alternative.

Blocking a shift to bus and rail transport are issues with both price and service provision. The history of bus fares since the turn of the 21st century is one of extraordinarily fast price growth. Bus and coach fares have risen 60% faster than RPI and 150% faster than CPIH over the past 25 years. Rail fares also outpaced both inflation indices over the period, though RPI has begun to catch up in recent years, rail fares remain well ahead of CPIH (Figure 2).

Figure 2: Bus fares have been steadily rising above inflation for the last decades

Bus & coach fares, rail fares, CPI, and RPI indices benchmarked against Q1 2000



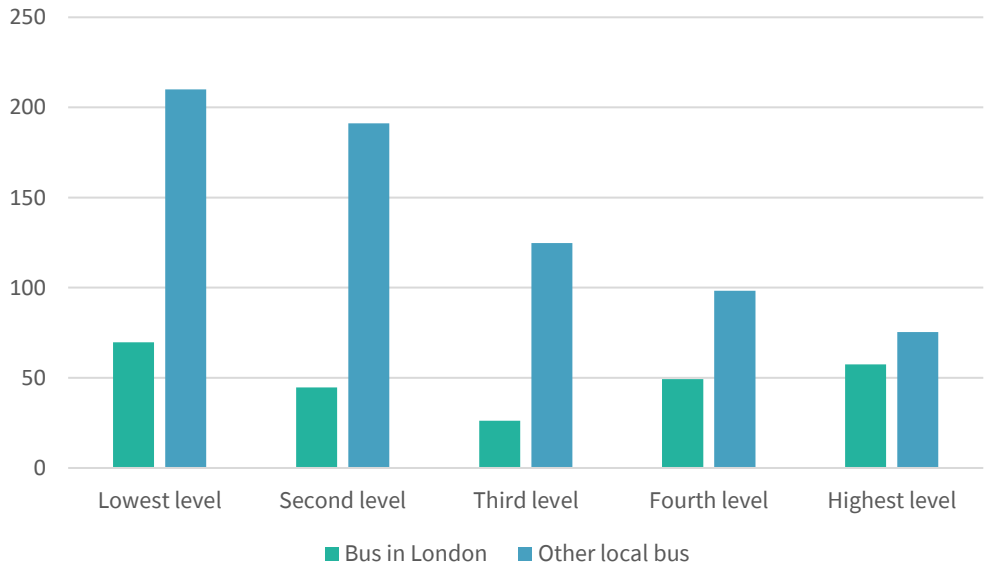
Source: NEF analysis of ONS price indices

Bus remains the most frequently used form of public transport across England, with 37% of people using it at least once a month. Outside London, the lowest-income 40% of households travel twice as far by bus as the highest-income 40% of households (Figure 3). Thanks to rising fares and service cuts bus patronage has declined rapidly across the UK. Over the past two decades the average bus mileage per person per year declined by around 30%.[2] The £2 fare cap implemented by the Conservative government in Q1 2023 made only a small dent (visible in Figure 2) in the dramatic fare rise seen over recent years. The raising of the cap to £3 by the Labour government in Q1 2025 has seen bus fares return to rapid growth.

Bus fare inflation is a form of inflation that penalises low-income households far more than any other group, particularly outside of London, due to the social distribution of bus use. Conversely, this means that bus fare cuts are among the most progressively distributed policy levers available to the government.

Figure 3: Lower income groups are the most common users of bus transport

Miles travelled by bus per person in 2024, by income quintile

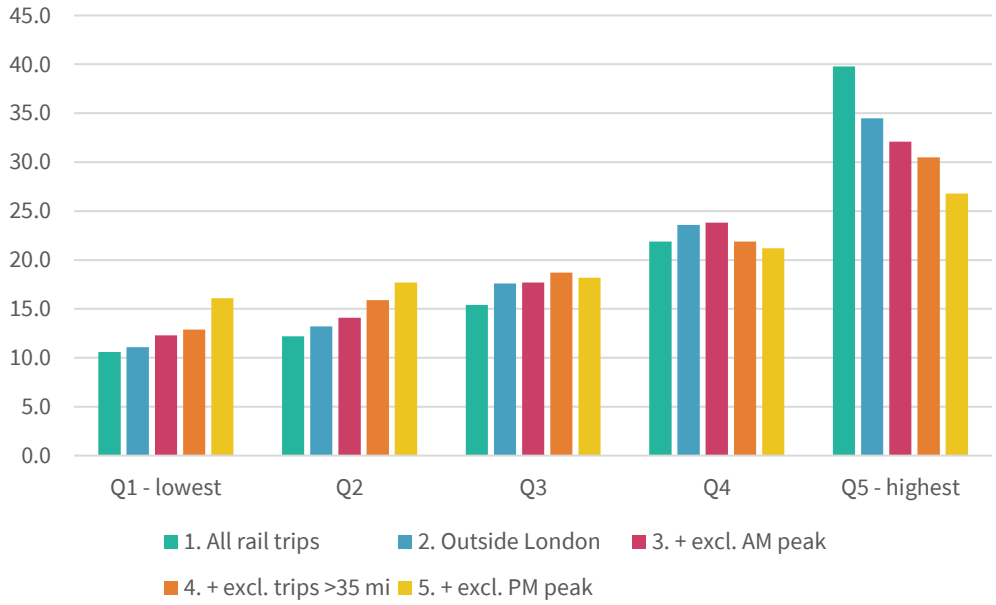


Source: National Travel Survey

Rail travel, in mileage and trip-count terms, presents with an opposite distribution (Figure 4), with members of higher income households covering far more rail miles than low-income households overall. The policy implications of this should be considered carefully. Rail trips are very expensive, limiting who can participate by design. Action to bring down rail costs could therefore result in different distributional impacts to those currently prevailing. Moreover, the distribution of rail travel varies by type. Short-distance, off-peak (including evening peak), and non-London rail travel categories are all more progressively distributed than the headline distribution.

Figure 4: The distribution of rail usage is skewed towards the highest income households, but evens out when focusing on non-London, off-peak, short-distance journeys

Share of rail trips in England in 2024, by household income quintile, with different filters applied



Source: National Travel Survey

CUTTING THE COST OF BUS TRAVEL

Broadly speaking there are two distinct target groups for support with the cost of bus travel: households with and households without access to a car (and the sunk-cost it involves). The utility of any bus fare policy will vary between groups. People dependent on the bus will benefit from any savings the state can provide. People with access to a car will see more limited change unless the cost of the bus drops below the marginal cost of a trip in the car. To have the broadest impact, the intervention must fall into the second category.

The majority of UK bus journeys average around 4 miles.[3] The fuel costs of a 4 mile private combustion engine car trip falls in the range 60p-£1 depending on vehicle efficiency. This, crudely, represents the 'marginal cost' of the trip for a car-owning household. On a total cost of ownership basis, including depreciation, tax, insurance and servicing, the cost could be £2-£3, especially if parking charges are also included. At the current rate of £3 for a capped bus journey, the bus is not particularly competitive with the car, especially not for people who already own a car and perceive only the fuel cost as the marginal cost of making the extra journey. While the average fare cost is below the £3 cap, particularly when passes are considered, price remains an obstacle to take-up for infrequent bus users.

Young people are particularly exposed to the transport cost –of living. The high upfront costs push car-ownership out –of reach for many. They require mobility to access work and education opportunities, but many such opportunities are remunerated poorly or not at all. Entry level jobs are hard to find and may be some distance away. The benefits of improving the connectivity of young people are very high, not just to the individual but to wider society. Schemes from Scotland, and around the world, show that free, or ultra-cheap, public transport can open up opportunities for young people and support them into good work.[4] In 2026, the Danish coalition government agreed a plan to offer free public transport to people under the age of 22.[5]

We have modelled three core policy options aimed at cutting the cost of bus travel: free bus travel for all, a £1 fare cap, and free bus travel for under-25s. We also modelled a combined £1 fare cap and free travel for under-25s and benchmark this against the previous £2 fare cap. These are modelled estimates and figures should be understood as indicative, not precise predictions. We cost the policies for 2027-28, assuming this to be the first year of the policy. We estimate a 50% demand response in the first year, accounting for a natural delay in how people react to a change in policy. As such, more mature schemes would cost more but also generate more additional demand and revenue.

POLICY IMPACTS

All four policy interventions are expected to create hundreds of millions of new bus journeys and almost £1bn in savings for households (Table 1), with savings being progressively distributed to lower-income groups. Our fare savings projections underestimate the scale of benefit to households as they only count direct savings and consumer surplus. These new journeys imply households are further gaining in wider wellbeing (or 'utility'). The government's evaluation of the £2 fare cap policy suggested that 67-73% of people who would have travelled via a different mode of transport if it were not for the cap, saved money as a result.[6] Our favoured policy, a £1 cap and free youth travel sees an estimated additional 7,400 buses on the road. This would be sufficient to fully offset the buses lost over the past decade (since 2015) under austerity.

The proposed policies also come with significant wider benefits, externalities, and multipliers. Usage would increase among groups who are currently under-consuming transport. The environmental benefits of modal shift towards buses are large, including cuts in air pollution, noise and greenhouse gas emissions. Wider economic benefits and high economic multipliers are also likely to flow from reducing road congestion, improving access to work opportunities, and increasing the spending power of lower-income households with high propensity to spend.

Young people (aged 5-25) benefit disproportionately from all of our tested designs. Free travel is estimated to be worth around £150 per user per year in a mature scheme. This estimate is slightly optimistic as we have not been able to include every currently operating local youth discount scheme in the baseline scenario (major schemes such as London's are included). However, we are also reasonably conservative in our estimate of the popularity of the scheme among current non-bus-users.

Table 1: Policy proposals and their impact on bus use and fare savings in 2027/28 (first year)

Scenario	New journeys in million journeys		New buses on the road	Fare savings in millions (current trips)	Savings per consumer (including new travel*)		Savings per young person (5-25)
	Year one	Long-term	Long-term	Year one / Long-term	Year one	Long-term	Long-term
Free fare for all bus users	884	1769	15,200	£3,566	£110 (£135)	£110 (£150)	£150 (£210)
£1 cap for all bus users	245	491	4,200	£977	£30 (£35)	£30 (£35)	£40 (£45)

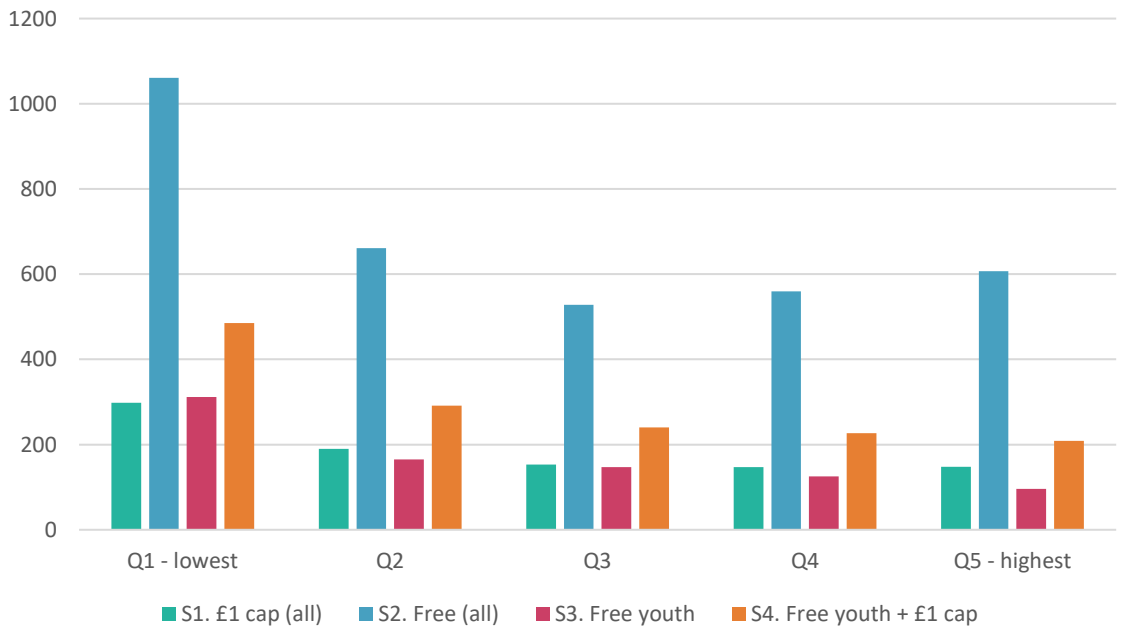
Free fare for young people (5-25)	271	542	4,700	£883	£30 (£35)	£30 (£40)	£110 (£155)
Free for young (5-25) + £1 cap for all others	428	857	7,400	£1,516	£50 (£55)	£50 (£60)	£110 (£155)

Source: NEF modelling with the National Travel Survey, new travel is valued as consumer surplus using the rule-of-half.

The policies proposed are highly progressive (Figure 5). Free bus travel for under-25s is the most progressively distributed policy, but all designs see over a third of the benefit going to the bottom income quintile. The youth policy also has the greatest benefit outside of London – in part because TfL already offers a more generous youth discount scheme than most parts of the UK. The government's evaluation of the £2 fare cap found that respondents in the age group 16-24 made most use of the cap. As such, in all of our proposed policy scenarios we expect young people to be the largest beneficiaries.

Figure 5: All four bus interventions are highly progressive, benefitting low-income households the most

Fare savings from four bus policy interventions in 2027/28 (in £ millions)



Source: NEF modelling

Overall, the policy impact is somewhat stacked towards London. This is because outside London, around 40% of individuals never use or rarely use the bus, compared to 28% in London. This suggests that the availability of routes near homes and bus frequencies are worse outside London. The high level of savings in London also act to make the policy

slightly less progressively distributed than it would otherwise be. A large proportion of the savings in the highest quintile (Q5) accrue in London.

POLICY COSTS

Our modelling estimates additional policy costs incurred outside any statutory concessionary bus travel schemes already in place. Our proposed policies have some minor overlaps with policies already operated by combined authorities, most notably Transport for London (TfL), that provide travel concessions above the national minimum. In the interests of fairness, an additional cost for our proposals would likely be required to reimburse all devolved authorities offering such concessions.[7] As this funding would be freed up for other uses, we are arguably overstating the net scheme cost.

Price is not the only barrier to bus use. Availability of routes and frequency are a critically important consideration. In our costings we account for running costs at a low marginal cost where buses already running have spare seats, assuming 15% headroom on current buses. Additional revenue funding over that headroom, to enable new services to serve the expected increase in demand and to address transport poverty and deserts, is costed at £1.40 per extra trip. NEF's own car dependency index highlights how public transport deserts have been built into the system over years of poorly planned and funded development.[8] Our maps highlight some of the places most urgently in need of new service provision.

Table 2: Net cost to government, including costs of new services, of various bus fare policies

Scenario	Year one (millions)	Long-term (millions)
Baseline conditions (fare revenue)	£3,620	
Reintroduce £2 cap for all bus users*	-£300	
Free fare for all bus users	-£4,339	-£5,631
£1 cap for all bus users	-£737	-£710
Free fare for young people (5-25)	-£1,128	-£1,523
Free for young (5-25) + £1 cap for all others	-£1,607	-£1,970

Notes: £2 bus fare cap figures were not modelled but instead derive from government's reported spend when the scheme was in place

Results shown in Table 2 refer to the net government cost, which includes the revenue forgone and the running costs for extra services, net of what users pay. Our policy

proposals deliver slightly lower fare savings (Table1) than they cost to implement (Table 2), including the cost for new services (except in the £1 cap travel case, where savings are higher). This is because our fare savings only reflect savings against present-day usage. The additional social value of hundreds of millions of new trips is difficult to quantify. In Table 1 we show the total 'value' created for consumer when their 'consumer surplus' from new trips is included, but this likely still underestimates the social good.

Our main recommendation, a £1 fare cap and free travel for under-25s costs £1.6bn up front, including a contribution to new service provision, rising to under £2bn over the long-term. After the first year, we assume habits adjust, which increases the number of journeys made and their associated costs. This is before any savings via spending multipliers, reduced externality costs (including reduced healthcare costs) are factored in.

Implementation considerations

1. Wales, Scotland and Northern Ireland operate their own public transport fare systems. Barnett consequentials may be provided which would open up new options. Scotland already offers free bus travel to under 22-year-olds. We have not included any tram or metro schemes in our bus fare modelling. Combined authorities would need to make their own decisions on how the bus fare policy interacts with trams and metros across the UK. Combined authorities would be delegated funding to decide on their own new route creation, and dedicated arrangements would be made to ensure the fare cap operated fairly between publicly and privately operated bus services.
2. The fare cap intervention would only apply to single trips. As such, where estimated average cost per trip on return, daily, weekly and monthly tickets was above £1, these are likely to be substituted. The estimation of ticket substitution is not under the scope of this briefing, primarily due to the lack of readily available data and the large variation in period ticket prices (i.e., estimated at £9.60 to £43 for weekly tickets/passes in the UK). We can infer potential effects of the proposed interventions from the £2 bus fare scheme, where return, daily and weekly-type tickets showed a drop in sales, whilst single and monthly ticket sales increased.

A NATIONAL RAILCARD FOR ALL

A survey by the Campaign for Better Transport found that, whilst a cheaper fare across the board would be the number one reason encouraging people to travel more by rail, over 60% of respondents referred to a cheaper off-peak fare as the second most important reason.[9] Railcards deliver cheaper fares but are only available to and used by a minority of travellers. There are currently estimated to be around 7 million railcards in circulation, with a total of 20 million people eligible.[10] This corresponds with around a 35% penetration rate, saving up to £1.3bnper year for rail users. Residents of the South East have access to a railcard, the Network Railcard, not found in other parts of the UK. The Network Railcard is also unusual in being accessible to any adult, free of age, status or social restrictions.

We modelled the creation of a national railcard that offers a one-third discount on off-peak rail travel on regional (i.e. stopping) services. The railcard would cost £35 per year and would be available to all. It would involve a major simplification and expansion of the railcard system. Alternatively, this policy could be viewed as an expansion of the Network Railcard currently available for journeys within the South East, to the wider country, with some minor tweaks, such as removing the minimum fare threshold and removing validity on high-speed/long-distance services. The policy objective is to make everyday use of off-peak rail more accessible.

The Network Railcard is currently used for a wide variety of journey purposes. The most common use is for the purpose of commuting to a place of work (around one-third of journeys using the card). This means it is used to discount commuter travel outside of the morning peak, and at times when lower-income households are much more likely to be using the railways. The railcard means that journeys which are not eligible or suitable for inflexible advance tickets (e.g. a worker who does not know precisely when their shift will finish) can still gain access to a more affordable ticket.

For example, an off-peak, non-advance, journey from London to Milton Keynes costs around £23-24, very similar to the price of the journey from Manchester to Leeds. The Milton Keynes trip is eligible for 1/3 off the price (bringing the price down to £15-16) with a Network Railcard. Outside the South East adults between the age of 31 and 59 cannot access this discount. A wide variety of other discounts are available in specific contexts, such as travelling in a group, or when in receipt of a Job Centre Plus travel discount card, but they have a tiny amount of market penetration and eligibility. The Network Railcard not only makes essential travel cheaper, but it incentivises greater use of the railways by reducing the marginal cost of travel. At present, just 10% of the total UK population have a railcard. Data is lacking but it is believed to be much higher in the South East. This policy aims to increase that engagement rate. In doing so it increases usage and to a limited extent ‘pays for itself’.

POLICY IMPACTS

The modelled proposal is estimated to generate £425m in consumer savings and 31mnew rail journeys (Table 3). These impacts are relatively modest, as a large proportion of the customer base (over 50% of off-peak journeys) already use a railcard. On top of this, limiting scope to stopping services during off-peak hours considerably constrains the demand impact. We further assume half of the eligible market buys the new railcard, based on current take-up levels from active railcards. As such, other considerations should be made to increase take-up (i.e. better communication, technology access, etc.). Nonetheless, with more than 5m cards bought, the policy has a reasonably sized imprint on the population and rail system.

Table 3: Impact of railcard proposal 2027/2028 (first year)

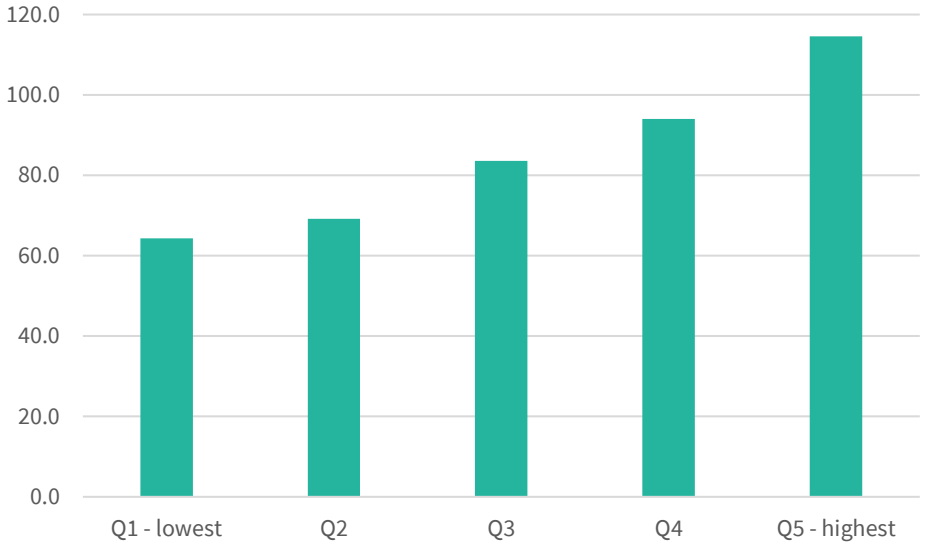
Scheme phase	Railcard cost	New journeys (millions)	New cardholders (millions)	Savings to consumers (millions)	Savings per consumer (including new travel*)
Year one	£35	31	5.2	£425	£82 (£92)
Long-term	£35	62	5.2	£425	£82 (£102)

Source: NEF modelling with the National Travel Survey, new travel is valued as consumer surplus using the rule-of-half.

The savings are distributed somewhat regressively (Figure 6), with the largest chunk accruing to individuals in the top quintile. It is possible that the true impact might be more progressive, as we do not have good information about the individuals currently priced-out of the rail network. All savings accrue outside London as the Network Railcard is already in operation in the South East. The savings for households in practice could be higher, as passengers newly opting to travel by train are likely switching away from more expensive options. The Department for Transport estimates that an increase in rail passenger km of 100km within the London travelcard area can be expected to lead to a decrease in car vehicle kms of 22km.[11] We expect a similar relationship to play out elsewhere. On the other hand, if the policy contributed to rail operators offering fewer advance tickets the savings could be somewhat eroded. This substitution should be avoided if possible.

Figure 6: Savings from rail interventions skew toward higher quintiles, in absolute terms

Distribution of consumer fare savings from a new national railcard 2027/2028 (first year) (in £ millions)



Source: NEF modelling

POLICY COSTS

Our model suggests the policy has a net cost of £270m in the first year, falling to £120m over the long-term (Table 4). New ticket sales and card sales offset, to a large extent, the costs of the scheme. Overall, the government would be able to generate £425m in savings for consumers, plus the benefits of new journeys, for a much lower cost. This cost does not include any multiplier effects created by the savings and the journeys, or savings via reduced externalities due to lower emissions travel and lower congestion.

Table 4: Railcard scheme costs in 2027/28 (first year)

Scheme phase	Foregone revenue and operating costs (millions)	Card sales revenue (millions)	New ticket revenue (millions)	Total scheme cost (millions)
Year one	-£673	£181	£222	-£270
Long-term	-£740	£181	£445	-£115

Source: NEF modelling with the National Travel Survey

CUTTING THE COST OF TRAVEL WITH A MONTHLY PASS

Passes offering unlimited public transport have exploded in popularity across Europe, with policies adopted in Germany, Austria, Spain, Portugal, and Switzerland. These passes usually focus only on local and suburban rail services, but permit free travel at any time of day (i.e. there is no peak-time exclusion). Their strength is in their simplicity, creating hassle-free travel once someone has subscribed, and creating a zero-marginal cost to travel with their unlimited usage, that opens up new reasons to travel and social freedoms.

We modelled a monthly regional travel pass. For a monthly fee, users gain access to unlimited regional bus and rail. Long-distance and high-speed services are excluded. The pass is offered everywhere, except in London and for travel into London. No peak-time restrictions are applied. Once the monthly fee is paid, the marginal cost of additional rail travel is nil, making both rail and bus travel far more competitive for everyday journeys.

POLICY IMPACT

Our proposed policy is expected to be highly popular, generating more than 5 million subscribers in the cheaper variant (Table 5). The proposal creates a large volume of new bus trips in particular. The modelled consumer savings do not capture avoided costs of other modes of transport, which are likely to be substantial, providing the necessary infrastructure and service improvements are made. The wider societal benefits of unlocking activity, employment and training with a zero marginal cost on transport are expected to generate exceptional multipliers for the economy and government revenue.

Table 5: Rail pass scheme impacts in 2027/28 (first year)

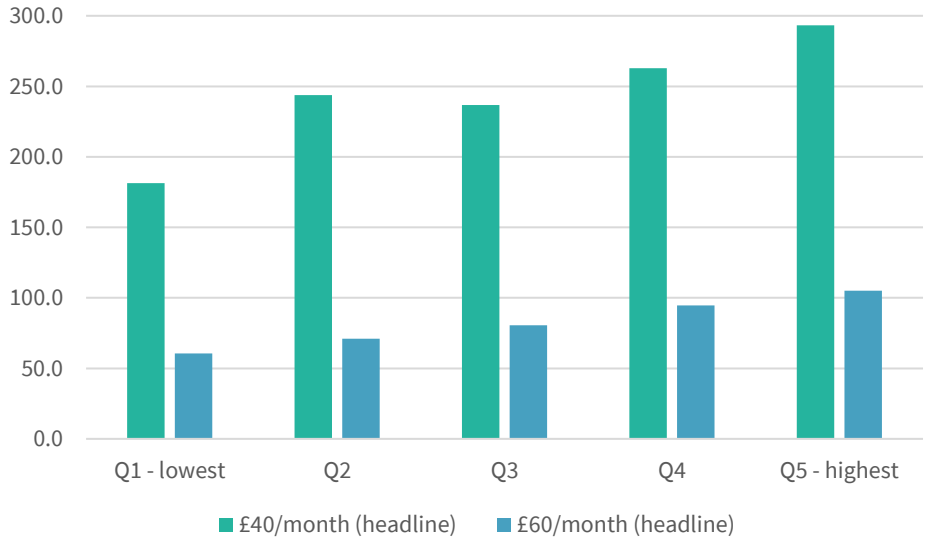
Scheme phase	Scenario	New passholders (millions)	Value of consumer savings (millions)	Savings per subscriber (including new travel*)	New rail trips (millions)	New bus trips (millions)
Year one	**£40/month**	5.2	£1,942	£235 (£375)	134	320
	£60/month	2.8	£877	£150 (£319)	116	134
Long-term	**£40/month**	5.2	£2,666	£235 (£515)	269	641
	£60/month	2.8	£1,341	£150 (£488)	231	269

Source: NEF modelling with the National Travel Survey, new travel is valued as consumer surplus using the rule-of-half.

The balance between bus fare savings (benefiting low-income households) and rail fare savings (benefiting high-income households), means the policy overall delivers a more even spread of benefits across income groups (Figure 7). This means it is more equitable than rail-only interventions and reaches bus-dependent households in a way that a rail-only card might miss entirely. The modelled demand is based on current users, yet the strong take-up from the Deutschland ticket, which reached 16% of the population,[12] suggests our demand and participation assumptions are, likely conservative.

Figure 7: Savings from an integrated transport pass even out across quintiles

Distribution of consumer fare savings from a regional bus and rail pass 2027/2028 (first year) (in £ millions)



Source: NEF modelling with the National Travel Survey

POLICY COSTS

Our modelling suggests the net cost to the government of the cheaper variant of the pass (£40 per month) rise from £1.7bn in year one to £2.5bn over the long-term (Table 6). The increase in bus and rail demand created by the pass is significant and would likely require service and infrastructure improvements Our scheme costings include the operating costs of these new services. We assume a higher take-up of the pass would increase costs, and subscription revenue. The German example suggests demand could be higher than forecast (they currently have over 13 million subscribers), but also that a higher price might be charged (they currently charge around €63 per month) and a higher subsidy offered (their scheme currently costs government around €3bn).

Our policy cost assumptions contain an allowance for the additional operating costs incurred by government serving the newly created demand. The costs do not fully address, however the potential need to fund capital investment in structural

improvements. Below, and in our methods annex, we discuss further the issue of rail system capacity.

Table 6: Rail pass scheme costs in 2027/28

Scheme phase	Scenario	Lost ticket revenue (millions)	New subscription revenue (millions)	Operating costs (millions)	Net cost to government (millions)
Year one	**£40/month**	-£3,703	£2,485	-£471	-£1,689
	£60/month	-£2,390	£1,978	-£259	-£671
Long-term	**£40/month**	-£3,703	£2,485	-£1,245	-£2,463
	£60/month	-£2,390	£1,978	-£603	-£1,015

Source: NEF modelling with the National Travel Survey

RAIL SYSTEM CAPACITY CONSTRAINTS AND THEIR INTERACTION WITH FARE POLICY

A key question for any rail fare policy seeking to cut the cost of travel is: what capacity is there in the rail system to absorb additional demand? Above we present two approaches to cutting the cost of everyday rail travel, both involve a number of implementation considerations that we discuss here.

As shown in Table 7 off-peak spare capacity, on currently operating trains, is relatively high (50%+) across most major UK cities. Capacity is lowest in Leicester, Sheffield, Newcastle, Reading and London. While typical capacity of 60% may seem high, it is worth noting that a half-full train can still feel relatively busy, depending on how passengers are distributed across seats and carriages.

Peak-time capacity is more limited, though only London stands out as completely saturated. Elsewhere capacity is available on average, but this high-level analysis hides highly-localised and time-specific pinch points. Our assumption is that any ambitious new policy aiming to cut rail fares must necessarily exclude London commuter services, or require a price-top up for such services, in the short-term. This, or a system of mandatory seat reservation, would be required to mitigate the risk of dangerous over-crowding.

Table 7: Peak and off-peak residual capacity by major city

	Peak residual capacity	Off-peak residual capacity	Off-peak spare seats per service
Birmingham	21%	64%	205
Brighton	58%	74%	276
Bristol	43%	69%	216
Cambridge	60%	81%	382
Cardiff	60%	80%	173
Leeds	29%	67%	177
Leicester	40%	53%	131
Liverpool	37%	71%	157
London	-2%	63%	308
Manchester	40%	70%	190
Newcastle	56%	62%	209
Nottingham	42%	68%	126
Reading	52%	63%	270

Sheffield	37%	57%	119

Source: NEF analysis of Department for Transport rail statistics

In some cases, capacity might be increased by running more or longer trains. By comparing pre and post-COVID data per train operator relating to the number of daily running services, the number of annual journeys and the average passengers per service, we make a broader assessment of whether the railway could accommodate short-term growth. This focuses only on changes implementable in the short-term (such as in the reinstatement of a previous frequency of service). This analysis assesses by operator.

Where an operator shows a high potential for short-term growth, they may currently be:

- running fewer trains compared with the 2020 timetable
- running trains with fewer passengers on board compared with 2020, on average
- running fewer trains with fewer passengers on each train compared with 2020

Conversely, operators showing a low or zero potential for short-term growth will either be running more trains today than in 2020, carrying more passengers per train than in 2020, or both.

Table 8: Peak and off-peak residual capacity by major city

Operator	Short-term growth potential	Requirements
Heathrow Express	35%	return to 2020 timetable, increase train loadings
Southeastern	30%	return to 2020 timetable, increase train loadings
Chiltern Railways	27%	return to 2020 timetable
c2c	27%	return to 2020 timetable, increase train loadings
Thameslink Railway	24%	return to 2020 timetable, increase train loadings
South Western Railway	23%	return to 2020 timetable, increase train loadings
CrossCountry	18%	return to 2020 timetable
Northern Trains	18%	return to 2020 timetable, increase train loadings
West Midlands Trains	17%	return to 2020 timetable, increase train loadings
ScotRail	17%	return to 2020 timetable
Avanti West Coast	16%	return to 2020 timetable
Great Western Railway	13%	increase train loadings
TransPennine Express	7%	return to 2020 timetable
TfW Rail	7%	increase train loadings
London Overground	6%	increase train loadings
Caledonian Sleeper	5%	return to 2020 timetable, increase train loadings
Greater Anglia	4%	return to 2020 timetable, increase train loadings

Merseyrail	3%	increase train loadings
East Midlands Railway	0%	N/A
Elizabeth line	0%	N/A
London North Eastern Railway (LNER)	0%	N/A
Grand Central	0%	N/A
Hull Trains	0%	N/A

Source: NEF analysis of Department for Transport rail statistics

Table 8 shows short-term growth may be difficult to accommodate in long-distance corridors. Comparing pre-COVID and 2025 figures, both LNER (on the East Coast main line) and East Midlands Railways (which runs primarily on the Midland main line) are running 6% more trains, with nearly 20% more passengers on each train, and with around 25% more journeys overall. These operators and corridors are growing rapidly, and capacity is already being reached. In the case of the East Coast main line, the timetable introduced in December 2025 essentially renders this corridor at its limit of its potential train capacity. The two cities with the lowest off-peak spare capacity also happen to be major hubs on the Midland main line (Leicester and Sheffield). Our policy recommendation is to exclude all long-distance high-speed services from fare action.

The long-distance operators that do offer some level of growth potential are those running reduced numbers of daily services compared to their pre-COVID timetable. However, the numbers mask the fact that the level of overcrowding on these services is significantly higher than before 2020.

A NEW RAIL CLASSIFICATION SYSTEM

Most European rail pass systems apply only to regional orsuburban rail. The UK has no neatly defined classification of such services. Our policy recommendation is that the UK government implement such a classification, with the specific objective of enabling creative new ticketing solutions. Recent developments aimed at renationalising operators and consolidating operations and fares present a good opportunity to implement such a change. Table 9shows the current ORR classification, and our proposed re-classification by operator. However, following nationalisation, the government need not be limited by current operator boundaries. In reality such a system would need to be designed from scratch.

Key issues present in the midlands and South Yorkshire. As identified above, there are capacity constraints. But there is also an overlap between regional and long-distance services, as trains operated by Cross Country and East Midlands Railways perform both functions, often converting effectively into local commuter services as they pass through the midlands and South Yorkshire. Some similar multi-functionality can be seen in Great Western Railways, particularly as their trains approach London.

Table 9: Proposed re-classification of rail operators by corridor distance

Current ORR classification	New classification
Long distance: Avanti West Coast, Cross Country, East Midlands Railway, Hull Trains, Grand Central, Great Western Railway, London North Eastern Railway (LNER), Lumo. **London and South East**: c2c, Chiltern Railways, Elizabeth line, Govia Thameslink Railway, Greater Anglia, London Overground, Southeastern, South Western Railway. **Regional**: Caledonian Sleeper, Merseyrail, Northern Trains, Scotrail, TfW Rail, TransPennine Express, West Midlands Trains.	**Long distance**: Avanti West Coast, Hull Trains, Grand Central, London North Eastern Railway (LNER), Lumo, Caledonian Sleeper, **Regional**: c2c, Chiltern Railways, Govia Thameslink Railway, Greater Anglia, Merseyrail, Northern Trains, Scotrail, South Western Railway, Southeastern, TfW Rail, TransPennine Express, West Midlands Trains. **Mixed commuter/intercity and long-distance routes needing separation**: CrossCountry, East Midlands Railway, Great Western Railway.

PEAK/OFF-PEAK/ADVANCE

As we intend to exclude long-distance, high-speed routes and London routes from our policy proposals, advance fares can continue as currently operated on such routes. The future of the peak/off-peak/advance fare system on regional, commuter services, however, should be reconsidered. Since the pandemic, as a result of changing work patterns, capacity constraints at peak times have eased across the UK in every major city bar London and Brighton. As a result, price differentials between peak and off-peak are often low, and advance fares are widely available at peak times. In particular, large numbers of advance fares are often available very close to departure across the north of England, even at peak times. These emerging trends bring into question the point of operating such a complex system. The government should explore alternative approaches to managing demand where they are required (e.g. in the midlands) rather than lumbering everyone with a largely defunct ticketing system.

CONCLUSIONS: THE POLITICAL-ECONOMY CASE FOR CHANGE

The proposed policies respond to an unrelenting cost –of living squeeze that is a priority concern for households. Bus fare interventions have highly redistributive impacts, benefitting lower-income households. The support provided to lower-income households and young people would bring about economic benefits greater than the fare savings alone. This includes the benefits of opening-up opportunities for employment, education, healthcare and leisure.[13] As transport has repeatedly been acknowledged as a driver of youth detachment from the labour market, guaranteeing young people have access to transport links seems an obvious opportunity, and one that many other governments have grasped.

A secondary beneficial impact of our proposed policies would be expected thanks to their constraining effect on inflation. We would expect knock-on benefits from inflation constraint via reductions in the interest rates that dictate investment in the wider economy. These policies should sit among a wider package of counter-inflationary cost –of living measures such as the National Energy Guarantee NEF proposes.

Not only are the policies we propose impactful, they are incredibly popular. Polling published by Persuasion UK shows that the bus fare policies we tested has extraordinary political pulling-power.[14] By some margin, a £1 bus fare cap is the single most positively impactful policy on public voting intention from the wide-ranging suite of support measures the poll considered. Meanwhile, free travel for under-25s had, by some margin, the highest rate of spontaneous recall among the public of the policies tested. Action is urgent, popular, green and fair.

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ENDNOTES

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ANNEX: METHODOLOGY

SCOPE

Base year: FY2024/25, using National Travel Survey (NTS) 2024 microdata and the latest DfT and ORR published statistics (2024/25).

Projection: costed for FY2027/28, treated as the policy's first year, so the behavioural (induced-demand) response is only half phased-in ("year one"). A long-term case (fully phased-in demand) is also reported.

Geography: the bus interventions and the rail + bus pass are modelled for England outside London; the national railcard is Great Britain–wide but has lesser impact in the South East due to the presence of the Network Railcard.

Distribution: benefits are shown by NTS household income quintile (Q1 = lowest).

METHODOLOGY

Fares are the implied average fare actually paid, not headline single or cap fares, which accounts for concessions, child fares and multi-journey/period tickets.

Induced demand (extra trips generated by lower fares) is estimated with short-run price elasticities.[15] Year one applies 50% of the full response. Must be noted that for free (100% discount) fares the results are indicative, as elasticities are stretched beyond their observed range.

Operating costs are charged only on induced (extra) trips.

- Bus: a marginal rate (~£0.06/trip) within a 15% spare-capacity headroom, then £1.40/trip for service expansion beyond it (full average cost £2.22/trip as an upper bound
- Rail: £2.00/trip as central assumption. We assume there is a high level of spare capacity for most operators (see *Rail system capacity constraints and their interaction with fare policy* section in main briefing for details).

Projection to FY2027/28: fares CPI-uprated (ONS D7BT + OBR forecasts); underlying bus patronage held flat (no assumed background growth or decline), so modelled ridership change is policy-driven.

POLICY SPECIFICS

Bus fare interventions

Four mutually exclusive interventions are modelled for England outside London:

- S1: £1 single-fare cap for all passengers;
- S2: free bus travel for all passengers;
- S3: free bus travel for young people (aged 5–25);
- S4: free travel for young people plus a £1 cap for all other passengers.

- Bus journeys are anchored to DfT BUS01a (year ending March 2025) and fare receipts to DfT BUS05ai. Dividing receipts by paying journeys (concessionary and free travel netted out of both) gives an implied average fare.

National railcard

A £35/year railcard giving one-third off off-peak and Advance fares, modelled Great Britain–wide.

- Published rail yields already embed the discounts existing cardholders receive, so they are grossed up to the full fare a new (non-cardholder) buyer would face. From ORR Tables 1212/1222 (April 2024-March 2025).
- The addressable market is off-peak and Advance journeys not already made with a railcard (estimated as off-peak ~320m + Advance ~70m). Because existing railcards (~7m in circulation) are concentrated in London and the South East, new buyers are expected to skew towards higher-fare regional routes; the central case therefore applies a buyer-weighted fare.
- Take-up of the eligible market is assumed at 50%.

Monthly rail + bus pass

An all-modes monthly pass modelled at £40 and £60 per month for England outside London, giving unlimited short-distance rail and bus travel.

- Participation: Subscribers are identified individual-by-individual from the NTS: a person subscribes if their current annual rail-plus-bus spend exceeds the annual pass price (£480 or £720).
- Rail is priced on a two-tier basis, an ordinary fare and a season-ticket-equivalent for frequent (3+ days/week) travellers, and is peak-inclusive. The bus fare is the base-year implied average, rising in FY2027/28 to reflect the £2 to £3 cap fare change. Rail demand is anchored to an England-outside-London base (ORR ordinary journeys plus ex-London season journeys); bus demand to BUS01a outside London.

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