

Retail market review – emerging findings (published June 2015)

Response from Campaign for Better Transport

Chapter 1

1. Do you agree with our description of the features of the market for ticket selling?

Campaign for Better Transport partially agrees with the description of the market for selling tickets given in Chapter 1. We regard this as a snapshot of what is intended to happen rather than the reality experienced by passengers.

Missing is the important role of Government and regulators in stipulating some ticket types and their cost as well as having oversight of the operation of the sale of tickets. This is an essential intervention, ensuring that the rights and interests of passengers are protected in the selling of tickets.

In addition, while the current market may have the intention of providing a balance between competition and collaboration in selling tickets, this does not accurately reflect the public's experience of it. Rather than competition and collaboration, many passengers are confused and frustrated.

Confusion is caused by the bewildering array of ticket types available and the accompanying weakness in the information given on how and where they can be used. Frustration stems from anomalies in the system where the fractured nature of industry leads many passengers to doubt they are getting the best value fare available (as exemplified by split ticketing).

Campaign for Better Transport is concerned that the current retail market for train tickets does not meet the interests of passengers. Reforms to types of tickets available must improve the current situation. This is characterised by overly-complex range of ticketing options that confuse many existing train users and put others off using the railways.

There are also good reasons to believe current ticketing practice is a barrier to the growth in passenger numbers. In 2012, Department for Transport research carried out by the Office for National Statistics found 23 per cent of non-rail users thought that there were too many ticket types available when travelling by rail. This view was supported by more than a third of rail users who said they did not understand the different types of tickets available [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9297/rail-report-2012.pdf]. In 2011, the Guardian reported research by *Which?* that found only 1 per cent of train users fully understood the main ticket types [<http://www.theguardian.com/money/2011/sep/20/complex-train-tickets-confuse-passengers>].

As Passenger Focus (now Transport Focus) reported in 2012 "It is widely acknowledged that we have a complex fare structure. It can sometimes be difficult to get all the information needed in order to buy the right ticket and yet we routinely encounter passengers who are being penalised for travelling at the wrong time, on the wrong train, or on the wrong route."

and

"While the basic 'rules' are common to all train companies there is considerable discretion and inconsistency in how they are applied." <http://www.transportfocus.org.uk/research/publications/ticket-to-ride-summary-report-may-2012>

Ticketing is often inflexible – for example, few operators offer season tickets for part-time workers. This is despite there being strong public demand for such options, a long standing government commitment to introduce them (albeit one on which there has been very slow progress), growing numbers of people who could make use of them and comparable options being available on nearly every other rail network in Europe.

A system which is easy to understand will increase the attractiveness of rail and drive up the number of passengers. It is essential that changes to existing ticketing system help to resolve these shortcomings while not adding further complexity.

Campaign for Better Transport's Fair Fares Now campaign is pushing for:

- A legal right that they will always be sold the lowest-cost fare for their journey
- Information on any restrictions will be made clear at the time of purchase
- Affordable rail fares, including peak times and turn-up-and-go tickets with the high premium paid for flexibility and peak-time travel being reduced
- Reasonable peak times and options for part-time workers
- Straightforward tickets that make train travel simple
- Smart tickets that remove barriers to choosing the train

To be meaningful, these need to be enshrined by a code of conduct that all selling tickets abide by, and which is legally enforceable by an appropriate body such as the ORR.

Chapter 2

2. Do you agree with our emerging findings with respect to passengers' ticket buying experiences regarding their choice / ability of

a) retailer/sales channel;

Campaign for Better Transport agrees that there is reasonable choice in where tickets can be purchased from. We also agree there is scope for expanding this, but have concerns about the way this is could be done. In particular, we would highlight passenger interests in maintaining consistency in ticket prices regardless of where they are purchased from and in maintaining the integrity of the network (i.e. tickets to all destinations being available from all sales points). Widening the sales channels is therefore likely to be particularly relevant for pre-paid tickets and smartcards. These issues are discussed in further detail elsewhere in our response.

b) how they buy tickets;

Campaign for Better Transport supports efforts to improve the ticketing options available to passengers. We agree that innovation in how passengers buy tickets has been slow and uneven. The ORR should move to introduce a legally-binding code of conduct on ticketing which includes a requirement on train operators to improve the range of options available and to make rail travel easier and cheaper. Within this, it is important that passengers are guaranteed the cheapest fare for their journey wherever they buy their tickets from.

The rail industry also needs to do more to support multimodal public transport tickets for door-to-door travel. These should support the objectives set out in the Government's 'Door-to-door strategy'.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/142539/door-to-door-strategy.pdf

c) their ticket format;

Campaign for Better Transport agrees that progress with providing alternative to standard paper tickets has been slow. We are very concerned by the absence joint working within the rail sector on offering products such as electronic and mobile ticketing. This is leading to wasteful reinvention of the wheel with several operators working on similar products and leaving passengers on British railways with significantly fewer ticketing options than on the leading rail networks in Europe.

Most concerning is the seeming inability of the Department for Transport to call industry to account and make progress in this area. More than three and a half years after the Government published a consultation on fares and ticketing where the need for network wide electronic and mobile tickets was recognised, there is still no timeframe for its delivery. This is despite both the technology and passenger demand being well-established.

Furthermore, it is notable that these issues seemingly remain intractable. Unlike other sections of the consultation document, the 'emerging findings' document offers only commentary on this area rather than plotting a way forward.

There has for some time been strong case for the Government to act, requiring all franchise holders to offer an agreed variety of ticket types for all journeys to include paper tickets, electronic and mobile tickets. As industry regulator, the ORR should make it clear to the Government that such an approach is now needed.

d) the range of tickets; and

Campaign for Better Transport agrees that developments such as flexible ticketing would improve the range of tickets available to passengers. As noted elsewhere, however, many passengers already feel that ticketing is too complex. Care should be taken with the design and introduction of new products to make sure they contribute to an overall market of cheaper, simpler and fairer fares. As discussed elsewhere, we would therefore support a Government strategy on future ticketing and with full involvement of passenger representatives.

e) opportunities to find cheaper prices?

Campaign for Better Transport agrees passengers may expect tickets purchased online to be cheaper than the same ticket purchased at a station, and that this mirrors their experience of other sectors. This reflects the lower cost of an automated purchase compared with buying a ticket from a member of staff. We would, however, caution against some inferences drawn from this finding. For example, there are benefits to having staffed stations which all train users benefit from – and should contribute to the cost of – regardless of where they buy their ticket [www.transportfocus.org.uk/media/.../pf_unstaff_stat_proj_sum_final.pdf].

Regarding sales channels, Campaign for Better Transport is unconvinced that the comparison with hotels and airlines is useful or fair:

- Rail journeys are a fundamental part of many people's day to day lives, getting them to and from work, essential services and social lives. For rail, people rely on timetabled services being available when they need them often on a 'turn up and travel' basis. By comparison, only a tiny number of people fly or stay in hotels on multiple occasions each week, or turn up to the airport to buy their ticket. Rather, such experiences are special occasions such as business or one off leisure trips for which people expect to plan ahead and shop around.
- Hotels and airlines operate in genuine markets where, if they offer a poor service, people have the option to switch to another plane, another hotel and even another destination. This is not true of the large majority of rail journeys, nor is it ever likely to become so, where only one operator is available to them.
- The railways are run as a public service whereas hotels and railways are private enterprises. Rail receives public money to deliver services agreed as part of a franchise. By contrast, the overarching objective of hotels and airlines is to maximise returns on investment.

As discussed elsewhere, we would wish to see the principle maintained that passengers buying the same ticket at the same time for the same train journey should pay the same price.

Chapter 3

3. What are your views on our emerging findings that TOCs' incentives to introduce new fares and products are somewhat limited? What are your views on our suggestions around DfT's role and, more specifically, the role of franchising? What are your views on our proposed recommendations that improvements be made to the industry processes to make it easier for TOCs to introduce new fares or products? Specifically, do you agree this should be taken forward now, as a matter for TOCs and governments?

Campaign for Better Transport strongly agrees that train operators incentives to introduce new fares are limited. This is having a very significant negative effect on passengers and that the Department for Transport needs to take a far more active role in bringing change about.

For example, the introduction of part-time, flexible and carnet tickets across the network is long overdue. In 2013, the Government and train companies promised to introduce affordable ticketing for part time and flexible workers. There was good reason for this. Over 8 million people now work part-time and around 4.2 million people in the UK work from home. Currently these groups are limited to full-time season ticket or single journey tickets.

Yet publicly, little has so far happened. Campaign for Better Transport sees the key blockage as being the Train Operating Companies belief that flexible ticketing will have a negative impact on revenue. We have the opposite view; that simplification and flexibility will drive growth and ultimately increase revenue for train companies, as has been seen with the introduction of Oyster and flexible ticketing by Transport for London.

The lack of flexible tickets is in stark contrast to the situation in other European countries. Campaign for Better Transport research found of the 21 European countries we looked at, 20 offered flexible ticketing that made commuting more affordable for part time workers.

Although we appreciate that some limited progress has been made on south east franchises, this is too little and too slow. Action is now needed to require train operators to offer part-time, flexible and carnet tickets to all passengers and for all journeys. As an example of how future changes to ticketing arrangements should take place, this should include the following steps:

- all new franchises should offer flexible tickets in electronic form within an agreed period of taking up their franchise
- train operators should have a responsibility to share the technology for part-time, flexible and carnet tickets so to ensure the integrated rail network that passengers value highly is maintained

- The Department for Transport should work with franchises which are not due to be renewed before 2019 on the introduction of paper carnets for all journeys as a precursor to network-wide flexible ticketing
- Public elements of franchising documents should make it clear what sanction will be taken against operators who fail to meet the above conditions

In addition to making it easier for train operators to introduce new fares, Campaign for Better Transport believes there is a case for the Department for Transport and the regulator to be prescriptive in stipulating new types of fares and ticketing that should be offered, while leaving a degree of flexibility for train operators and others in how such products are brought to market.

For example, we would support the introduction of a single pan-network National Railcard offering discounted travel to all passengers for a single fee (similar to the current Network Railcard for south-east England). This would be significantly more useful to passengers than further franchise-specific ticketing offers. Restriction on the times and services which different tickets can be used on is a major cause of the confusion many rail users and a discouragement for others in using the railways.

We would support other initiatives such as 'pay the difference' tickets, where a passenger catching a train other than one they had booked to travel on pays to 'upgrade' their ticket to a standard fare rather than being required to buy an entirely new ticket. We would also welcome advance fares available for purchase on the day of travel.

4. What are your views on the role TIS machines play in enabling TOCs to differentiate the way they sell tickets to passengers? What are your views on the appropriate response, in particular around the balance between providing the TIS market with more direction about the design of the TIS machines and in facilitating choice?

Campaign for Better Transport is unconvinced that ticket issuing machines (TIS) are the right tool for differentiating the way tickets are sold, particularly at stations. We are concerned that passengers usually select which TIS to use on the basis of which they happen to come across first, and by length of queue at busy times.

Passengers do not expect machines of different ticket sellers to charge different amounts for the same journey, and are rightly annoyed when they find this is the case. Having different machines using different processes and approaches competing within a station environment is more likely to lead to confusion and frustration for passengers than clarity and innovation.

Existing problems with TIS exemplify this. There are many examples of the cheapest fares for journeys being 'buried' while more expensive tickets are apparently promoted [<http://www.telegraph.co.uk/news/11200491/Ticket-machines-Minister-faces-calls-for-an-inquiry-after-machine-overcharging-investigation.html>]. Despite assurances that it would act, the industry has been notable slow to respond to such TIS machine anomalies – even failing to put stickers on machines to confirm that cheaper tickets may be available elsewhere.

Campaign for Better Transport does not feel it is reasonable to expect passengers to 'shop around' for the best price when buying tickets in person at a railway station. Enabling TOCs to use TIS machines to differentiate their tickets in such an environment is unfair and counterproductive to trust in the railways. Instead, there is a strong case for firm action from the regulator to increase consistency in the prices charged by TIS.

5. What are your views on the possibility that the price of (permanent) fares could vary by sales channel? What are the merits of considering this further at this stage?

In principle, Campaign for Better Transport supports initiatives that make it easier for passengers to buy tickets for travel.

It is key, however, that passengers are also always sold the correct ticket. The complexities (perceived and real) of the current ticket market mean that all too often this is not the case. Broadening the number of retailers and sales channels risk shifting the burden of responsibility for the cheapest ticket from the train operators to passengers.

Our concern is that without significant reform and simplification of the ticketing market (including a legal right for passengers to be sold the cheapest fare for their journey) a broadening of the outlets able to sell tickets will result in a number of negative trends:

- More miss-selling of tickets as passengers buy from vendors who are not in a position to advise them effectively on the best ticket for their journey
- Operators reducing ticket office staffing and hours, further undermining the availability of timely information for passengers as well as other positive factors that passengers like – most notably, staffed stations

We would therefore recommend that any broadening of the retailers allowed to sell rail tickets be limited to pre-paid tickets and smartcards.

Campaign for Better Transport believes strongly that rail passengers should be legally entitled to the cheapest available ticket for their journey, regardless of where it is purchased from. It should be the responsibility of the train operators and the regulator to ensure that this takes place. Allowing operators to charge different prices for different sales channels risks transferring this responsibility away from operators and onto passengers.

We do not therefore agree that allowing retailers to charge different prices for different sales channels is necessarily in passengers' interests. We are not convinced that such an approach would lead to innovation in attracting passengers. This view is based on experience, for example the very slow progress of the industry in introducing products such as flexible ticketing despite strong evidence that it would be popular.

Chapter 4

6. What are your views regarding our emerging findings on the incentives potential and existing retailers face in entering and expanding in the market? Specifically, what are your views around having an independent body overseeing the third party retailers' arrangements, including the identity of the body; on having greater transparency of retailers' likely costs and remuneration; on having a formal obligation on the relevant TOC governance bodies to consult on significant changes to the industry regime; and on having an appeal mechanism to enable a third party retailers raise a dispute?

Campaign for Better Transport agrees with the finding that entry requirements determined by the rail operators themselves are preventing third party retailers from entering the ticket sales market, and that this constitutes a conflict of interest. We agree that this is undesirable for passengers and that there is a strong case for an independent body to address this.

We would thus support an independent body to oversee third party retailers' arrangements, greater transparency in costs and remuneration, a formal obligation to consult on changes costs, and a right of appeal for third party retailers who raise a dispute.

7. What are your views around the ways that industry could reduce the barriers smaller retailers face in selling rail tickets?

In principle, Campaign for Better Transport supports initiatives that make it easier for passengers to buy tickets for travel.

It is key, however, that passengers are also always sold the correct ticket at the cheapest price. The complexities of the current ticket market mean that all too often this is not the case. We agree that the requirement on ticket sellers to sell via TIS machines is unnecessary and further measures should be made to lower the cost of entering the market as a third party seller. Within this, broadening the number of retailers and sales channels should not shift the burden of responsibility for the cheapest ticket away from the train operators and onto passengers.

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- More miss-selling of tickets as passengers buy from vendors who are not in a position to advise them effectively on the best ticket for their journey
- Operators reducing ticket office staffing and hours, undermining the availability of timely information for passengers

We would therefore recommend that any broadening of the retailers allowed to sell rail tickets be limited to pre-paid tickets and smartcards.

8. What are your views regarding our emerging findings that there could be increased scope for third party retailers to compete in selling tickets? Specifically, what are your views that all retailers should have access to all fares and products? What are your views on retailers' ability to discount fares, and to what extent should other retailers have access to these discounted products (at the cheaper price)? What are your views around third party retailers' inability to create new fares and products, and do you consider further consideration could be given to options that provide for a net pricing (or something similar)?

Campaign for Better Transport agrees that encouraging more third party ticket sellers could benefit passengers in terms of choice and price.

We would support moves to give third party sellers access to all available retail ticket types. This could increase innovation, allow passengers using more than one operator for a journey to take advantage of all available discounts, and help facilitate better connections with other public transport modes, supporting door-to-door travel.

We are unconvinced of the case for establishing a wholesale market in tickets with TOCs setting a net price for each journey. Faced with potentially being undercut on margins for ticket sales, TOCs would arguably lack the incentive to keep down net prices, the setting of which would continue to be opaque. This could also lead to the situation where two people buying tickets at the same time for the same train could via the same sales channel (e.g. online) could end up paying different prices. We would regard this as unfair as well as making smart ticketing significantly more complex to roll out.

Chapter 5

9. Do you agree with our emerging findings that TOCs have limited incentives to collaborate with each other in the development of shared systems? To what extent do you consider that having increased emphasis through innovation funding mechanisms of the role of an integrated, national network (and thus the role of shared IT systems) could address the

issues? To what extent do you consider that a strategy, led by governments with input from across industry, on future ticketing can play a role?

Campaign for Better Transport believes there is significant potential for greater integrated working between train operators. This is a prerequisite for the development of smart ticketing and other initiatives that would improve the usefulness of the network for new and existing passengers.

Slow progress with initiatives requiring the involvement of several train operators is a matter of frustration for many passengers. We therefore agree that initiatives to support better joint working are needed.

We believe these should form a strategy for ticketing signed off by the Government with the ORR responsible for its implementation, including the levying of sanctions where objectives are not met. Such a strategy should contain clear objectives and timeframes and be agreed in an open manner with direct involvement of passenger interests.

We regard ongoing very slow progress with the implementation of part-time season tickets as an object lesson in why the Government and regulator need to take a stronger role in joint working. There is a strong case such a strategy being industry-funded given operators given role in maintaining a functioning and integrated network.

10. What are your views on the merits, as a possible longer-term option, to consider relaxing the obligations on TOCs to facilitate a fully integrated, national network?

Campaign for Better Transport would strongly oppose moves to away from an integrated national network in ticketing:

- It would move operators in the opposite direction from joint working – a key factor in improving the operation of the railways for passengers
- Passengers regard the integrated nature of the existing system as a key strength and undermining its integrity risks damage the view and experience of the railway
- The loss of integration would work against the development of desirable products such as pan-network smart ticketing, or new approaches such as a move to per-kilometre ticket pricing.

Similarly, we regard the creation of competing ticketing models and systems as highly undesirable to passenger interests and unlikely to result in anything other than follow-my-leading pricing:

- By requiring duplication of effort in developing software and hardware (ticket reading technology, for example) competing ticketing would be likely to add complexity and cost to the existing set-up while offering insignificant savings to passengers (the overwhelming majority of the ticket price will still be the cost of running trains and stations)
- It has the potential to make journeys where passengers use more than one operator more difficult and less attractive, with long-distance rail being the most notable example.
- It would make changes of franchise huge complex, with new operators either having to design and implement a new system or take on an existing one which they have limited experience of

11.What are your views on the role of third parties (including third party retailers, passenger representatives and technology providers) in the development of shared IT systems? To what extent could formal working groups address the issue?

Campaign for Better Transport agrees that third parties including passenger group representatives should be involved in the development of shared IT systems. We would also seek Government and regulator involvement in such an initiative as it would be central to achieving the aims of a strategy on the future of ticketing. Placing working groups on a formal footing would have the advantage of increasing allowing for increased transparency.

September 2015

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Campaign for Better Transport

Campaign for Better Transport's vision is a country where communities have affordable transport that improves quality of life and protects the environment. Achieving our vision requires substantial changes to UK transport policy which we aim to achieve by providing well-researched, practical solutions that gain support from both decision-makers and the public.

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