



Transport for London
Rail and Underground

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Siobhan Carty,
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Office of Rail and Road,
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Dear Siobhan,

Retail Market Review – Emerging Findings

This letter sets out TfL's responses to the questions posed in the ORR's consultation on the emerging findings from their Retail Market Review covering ticket selling arrangements. TfL is content for its responses to be published and shared with third parties.

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

The description does not make reference to the use of Smartcard and Contactless Payment which have grown to be a key part of the ticketing media used in London over the past ten years (these are referenced elsewhere in the consultation document). These ticket media address many of the concerns raised by the ORR as follows:

- In the case of Oyster, they give the opportunity for off system sales to take place at shops and on the internet. In the case of Contactless Payment they remove the need for ticket purchase altogether which maximises customer convenience;
- They ensure that customers pay the cheapest fare for the journey they are undertaking;
- They serve to minimise the cost of ticket transactions by making use of off system facilities, reducing the need for paper tickets and (in the case of Contactless) the payment systems of third parties, achieving greater efficiency in this area.

TfL acknowledges that Smartcard and Contactless technology is more appropriate in urban environments where fare structures are relatively simple. There is wider scope for their application and the rail industry should work

collectively to deliver this.

The review does not mention the growing potential for fraud using paper tickets which strengthens the case for the wider use of Smartcards and other (more secure) methods of payment, particularly where high value season tickets are concerned. The use of paper formats for high value tickets that are used on a regular basis also causes customers inconvenience as such tickets are prone to wearing out and requiring replacement several times during their period of validity.

2. Do you agree with our emerging findings with respect to passengers' ticket buying experiences regarding their choice / ability of a) retailer/sales channel; b) how they buy tickets; c) their ticket format; d) the range of tickets; and e) opportunities to find cheaper prices?

The ORR should note the opportunities offered by Oyster and Smartcard ticketing, as described in the response to question 1. PAYG provides a flexible product that can accommodate the needs of the occasional traveller, with capping being applied to ensure that the price paid in a single day is no more than the equivalent cost of a Travelcard.

TfL has worked to improve the functionality of its Ticket Vending Machines (TVMs) to make them more user friendly and enable them to offer a wider range of tickets. This approach, combined with a staffing model that provides support to customers who would otherwise be reluctant to use the TVMs has created a model that has wider applicability across the UK.

Industry processes could certainly be made more efficient, as shown by the length of time taken to secure adoption of Oyster and Contactless Payment on National Rail services operating in the London area. Any streamlined process must protect the financial interests of all operators.

It is important that the industry recognises that ever greater complexity in the area of ticket retailing and products is unlikely to be the best approach to encouraging use of the rail network, particularly in urban areas. TfL considers that a clear and consistent approach to retailing is the best way to ensure that the ticket purchase system is easy to use and encourages patronage. Ticket products and railcards with a broader reach and simple rules are more likely to appeal to customers than those with complex rules and restrictions. The best approach is to automate the payment process, thereby ensuring that a customer always gets the best price for the journey they are making and minimising or removing the need for ticket office transactions to occur. This may not be practicable where fare structures are more complex. Every effort should therefore be made to simplify fare structures wherever possible to make them more transparent to customers and to facilitate automated payment, encouraging use of the rail network and ensuring that the best

value price is paid for the journey that is being undertaken.

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?

The relatively short term nature of the franchising system can limit TOC's incentives to introduce new fares and products. It is important that the DfT and other franchising/concessioning bodies encourage innovations through the procurement processes that they run, for example by mandating the introduction of Smartcard and Contactless Payment methods where they are appropriate to ensure the advantages delivered by these ticket media are realised.

It would certainly be helpful for the approvals process to be streamlined given the time taken to bring new ticket products or media into use. Such changes must not undermine the overall integrity of the existing system by permitting operators to (for example) withdraw from certain ticket media or products if they do not perceive these to be sufficiently valuable to them. It is particularly important that the concept of interavailable tickets covering all possible journeys on the rail network is retained as the flexibility they offer to customers represents a key network benefit.

Change should be focused on providing new products of potential value to customers, as well as on making the transactional process as easy as possible for the customer.

4. What are your views on the role TIS machines (those located in ticket offices) 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?

TfL has no comment to make in response to this question.

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?

The impact of this proposal on different groups requires careful consideration. Certain groups do not have access to the internet (for example) so may not

be able to benefit from the cheaper fares on offer through this medium. Such impacts require mitigation given the railway's public service obligations.

TfL's response to this question does not imply that current ticket office opening hours have to be maintained. Ticket offices are not essential to passenger needs where ticketing requirements are relatively simple (as in urban areas) and can mostly be met through Ticket Vending Machines (TVMs) or online, using media including Smartcards. It is, however, important that a staff presence is maintained to offer assistance to customers purchasing tickets when they need it, as well as other types of information and advice. A staff presence does not have to be provided within a ticket office, indeed staff are often more visible and useful to customers outside the ticket office, circulating around the station. Ticket office opening hours should only be maintained where there is clear evidence that the office concerned is heavily used by customers and ticketing options are relatively complex, as at major stations for example. Media such as Contactless Payment allow customers to pay automatically for their journey without needing to purchase a ticket at all; developments such as this also impact on the requirement for staffed ticket office facilities.

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?

The presence of a large number of third party retailers indicates that the current market and associated governance/rules permits innovation and does not act as a major barrier to those wishing to enter the market or expand their presence. Change should therefore be incremental rather than revolutionary, addressing identified shortcomings to improve processes and shorten the length of time it takes to innovate and bring new products/ideas to the market.

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

TfL has no comment to make in response to this question.

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)?

Responsibility for setting fares should remain with the rail operators concerned, as this has a fundamental bearing on industry finances.

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?

A degree of centralised direction of effort to improve shared systems would be desirable to ensure this happens to a reasonable timescale. It would be preferable for this to be industry led, with requirements being placed on operators to cooperate. This approach will ensure consistency and the sharing of best practice, ensuring that the end user has the best possible experience when purchasing tickets.

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?

TfL does not support any proposal that would relax the obligations on operators to facilitate a fully integrated, national network through the ticket retailing system.

TfL considers that the retention of interavailable ticket options and impartial retailing is key to ensuring that the customer gets a fair and comprehensible deal when purchasing tickets. Operators should continue to offer a timetabled, walk up service as this is critical to the attractiveness of rail, particularly in the urban travel market. Constraining opportunities to travel through a more restrictive ticketing system is undesirable and likely to lead to reduced levels of usage and customer satisfaction.

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?

TfL has no comment to make in response to this question.

Yours sincerely,

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