September 2015

Trainline's response to ORR Retail Market Review – Emerging Findings Report

This letter sets out Trainline's response to the Retail Market Review – Emerging Findings Report dated June 2015.

We have set-out our response as follows:

1) Some general comments and observations falling out of our review of the Report
2) Answers to the specific questions tabled by the Report

General observations and comments

By way of background, Trainline is a third party retailer operating under a Third Party Investor Licence. Our systems sell over £1.6bn worth of rail tickets each year and we have some 4.5m active customers across our branded web, app and call centre channels. We sell to all types of passenger, from regular commuters taking short journeys to occasional long-distance travellers, and everything in-between. We sell widely to both the leisure and business markets. We are not limited by franchise/investment horizons. At all times, our focus is on the customer/passenger and best serving their particular, and various, needs backed by a deep understanding of their requirements. For these reasons, we hope and believe that the comments made in this Response to a large extent represent <u>the voice of the passenger</u> which should be at the heart of everything the Report is trying to achieve.

Whilst we acknowledge the role of TOCs in growing the industry we believe that things can be even better for passengers and we welcomed, and agreed with, the view expressed in the Report that "third party retailers play an important role in expanding the market and putting competitive pressure on TOCs to improve their offering, including by innovating". Third party retailers (and Trainline specifically) were central to the development of Ticket on Departure, self-print ticketing, developed the first rail mobile app in 2009, and the first rail retailing app in 2010. More recently, Trainline has improved the passenger's ticket purchasing experience by leading a cross-functional team developing the successful 'Flexible m-ticket' trials in the North of England, introducing real-time platform information and delay alerts on mobile apps, reducing ticket purchase flow to 3 clicks, and introducing new payment methods including Paypal and Apple Pay.

Aside from innovation, third party retailers have widened distribution and passenger access - as noted in Annex H of the Report "industry research suggests that third party retailers' marketing generates increased revenue that benefits the entire industry, potentially with a return of investment of around £12 for every £1 spent". Investment by third party retailers is independent of industry funding.

This is an exciting time for rail in the UK. Passenger numbers and satisfaction levels are high, compared both historically and against other countries in the EU. New booking and fulfilment technologies such as mobile ticketing are revolutionising the way people book and receive their tickets and get the best prices for their journey.

We believe this Report to be a unique opportunity to create the conditions that will best serve the interests of passengers and tax-payers. As we go on to say, to unlock this potential, third party retailers need to be better utilised in helping drive industry product and ticketing innovation, be granted parity of access to all product and fares, and benefit from appropriate regulatory oversight. Only then will the rail retailing market be able to fulfil its potential to save time, money and hassle for passengers, as is Trainline's mission.

We thought it worthwhile to begin by summarising our key issues arising out of the Emerging Findings Report as these may not necessarily come through clearly in our responses to the questions and hence we have drawn these out up-front.

Key areas

1) **Passenger benefit in full access to fares and product for third party retailers**

   We believe it is important that passengers should have confidence that they will be sold the same fare (i.e. the best fare) for their journey regardless of where they choose to purchase it in order to ensure passenger trust and confidence in booking online. We were disappointed that the Report did not go further in its recommendations in this area.

   Research by the ORR itself discovered that some 50% of respondents agree it's a lottery if you find the best fare of not. 43% say the fare system is too complex.

   Transport Focus research in 2015 reveals that, for most people, value for money was the key factor in their choice of ticket and yet the proportion of passengers satisfied with the value for money of the price of their ticket nationally was 45 per cent. Furthermore, Trainline commissioned international independent industry research that found that the highest factor in response to the question ""what would need to change to book online?" was "a single source for rail booking" i.e. not having to shop around.

   To the extent that fares are restricted to a TOC's own retailing channels (either dedicated promotional fares or discounting permanent fares) this is unhelpful for passengers and damaging to other retailers.

   Passenger confusion and distrust will only be increased if passengers need to sift through multiple different channels and sites that have dedicated fares and this would hold the industry back in gaining share versus other modes of transport.

   Third party retailers provide a significant reach of distribution that would allow more passengers access to the best fares across all product types. Trainline receives c.20m visits per month to its web and mobile channels. The industry can ensure that the best fares are being offered to the widest possible audience and indeed passengers expect it.

   We note also the Government's stated aim to introduce a passenger's right to demand the best fare for their journey. We fully support this initiative but would strongly recommend

that for any such regime to be effective, parity of access to fares and products to all retailers is an essential prerequisite.

2) Innovation

We welcome the Report's focus on enabling the conditions that encourage innovation; particularly innovation in ticketing technologies. Ticket fulfilment is a key enabler, or barrier, to retail innovation and improvements in passenger experience. We agree with the Report's finding that the pace of innovation in this area has been too slow, despite the obvious benefits such innovation has the potential to bring for passengers and indeed all stakeholders in the industry. We also agree that GB compares unfavourably to certain other countries when it comes to innovation in ticketing. For instance, in addition to the examples of France and Japan cited in the Report, we note the position in Germany where 100% of Deutsche Bahn's tickets are available as pdf and mobile tickets (referred to as 'e' and 'm' tickets in this Response).

The Report suggests, as a possible explanation for the slow pace of innovation in this and other areas, the inter-connected, interoperable nature of the GB rail network and/or the existence of shared industry systems.

We think a more important factor is the nature of the fragmented franchise system with TOCs at different stages of their franchise and related investment horizons overlaid with the particular specific requirements of TOC franchise commitments. However, this can be overcome with the right conditions and drivers in place.

The interoperability requirement may be one factor amongst others in the relatively slow rollout in 'e' and 'm' tickets, insofar as it implies the speed will be dictated by the slowest TOC in the interoperable cluster. However, we do not agree that the way to address this is relaxing/removing the requirement for interoperability. Relaxation of the current rules on interoperability could lead to further confusion to a ticketing system already regarded by many as overly complex. Passenger adoption of new fulfilment methods will be slow if multiple technologies emerge in differing guises and levels of functionality, delaying the critical mass of adoption that is essential to realise the efficiency and passenger experience benefits that this technology promises to deliver.

We believe that a better way to drive innovation is through co-operation amongst industry stakeholders (including all TOCs and relevant third parties) towards common goals, including ticketing innovation, with the Government/regulators setting the conditions for this to happen. This way, innovation can be achieved without foregoing the benefits of the interoperable system we know that passengers value.

A good example of this is the recent 'Flexible m-ticket' trials in the North of England, in which five train operators (VTEC, VTWC, XC, Northern, and FKTPE) collaborated with Trainline in a project to deliver a consistent mobile ticket experience across the railway geography served by each of these TOCs, in which they all accept Flexible m-Tickets sold on each other's mobile apps. This project is emerging from its pilot phase, and the expectation is that this important development will be extended to the whole East and West Coast Main Lines by year end.

Further, whilst we recognise the good work that the Rail Delivery Group is doing in developing an industry ticketing strategy, we agree with the suggestion in the Report that

third party retailers and other stakeholders outside of the TOC community can help drive innovation and strategy. Third party retailers (and Trainline specifically) have a track record of innovation. Trainline were central to the development of Ticket on Departure, self-print ticketing, developed the first mobile app in 2009, and the first retailing app in 2010. More recently, Trainline has improved the passenger's ticket purchasing experience by leading a cross-functional team developing the successful 'Flexible m-ticket' trials in the North of England, introducing real-time platform information and delay alerts on mobile apps, reducing ticket purchase flow to 3 clicks, and introducing new payment methods including Paypal and Apple Pay.

In summary, we believe that innovation can be encouraged without compromising the benefits of an integrated network and/or shared systems provided there is sufficient Government/regulatory oversight to catalyse innovation (such as ticketing strategy) together with a greater role being played by those with the requisite experience and business horizons (such as third party retailers) to guide and implement such innovation.

3) **Governance**

TOCs have the ability to vary the commission levels, the basis upon which costs for shared industry systems, fulfilment methods and services are allocated and strategic direction of key industry matters such as ticketing. Such changes have a material impact on third party retailers. We believe it is important that such a position is not allowed to be misused and therefore welcomed the suggestion in the Report that greater separation between the role of TOCs as wholesaler and that of TOCs as retailer would be desirable.

We also agree that it would be desirable for an 'independent' body to play a role in overseeing these arrangements, albeit that we do not consider such body should assume the role of licensor of third party retailers nor be involved in normal commercial discussions between ATOC/RSP and third party retailers. Instead, once the framework is set by the ORR following its final recommendations, such body could serve as an escalation point for matters arising between third party retailers and TOCs, such as a failure by TOCs to comply with the framework (e.g. relating to third party retailer access to fares) or disputes relating to material licence terms.

Given its familiarity with the arrangements and the fact that it is already recognised as the rail regulator, our view is that the ORR would be the most appropriate body to perform this oversight role. We would see this as a natural extension of the ORR's existing remit.

In any case, we do not believe that the role of any such independent body could act as a proxy for genuine third party retailer representation and consultation (e.g. on matters relating to industry costs, ticketing strategy, significant changes to industry systems/costs etc.), which we believe needs to happen alongside the role of any such independent oversight body to create conditions to stimulate innovation and produce fairness. For example, there should be third party retailer representation on the ATOC/RDG Board.

As mentioned in the 'Innovation' section above, a greater role being played by those with the requisite experience and business horizons (such as third party retailers), together with appropriate Government strategic direction, would create the conditions to allow innovation to thrive in the rail industry.

Furthermore, for this representation to be effective, there also needs to be full transparency on the basis for calculation and allocation of costs and remuneration to third party retailers (and others).

The combination of full transparency and genuine third party retailer representation would create conditions to allow retailers to play a significant role in driving innovation and industry cost reduction for the benefit of passengers, tax-payers and the industry more generally.

Answers to questions:

Chapter 1

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

The description appears broadly correct – albeit we would note:
- The significant role of TfL in the London and South East area both as a retailer and influencer of policy is somewhat understated in this section.
- We were unsurprised with the Report's findings that there is strong perception of complexity and a feeling that the retailing system is not easy to navigate. It has been Trainline's 'mission' to help passengers navigate this system by cutting through the complexity with tools such as 'best fare finder', 'peak/off-peak tool', 'ticket alert' service, and more.

Suggested Action Point – Creating conditions for passenger confidence.

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; b) how they buy tickets; c) their ticket format; d) the range of tickets; and e) opportunities to find cheaper prices?

   (a) Retailer/sales channel
- The summary of the as-is choice of retailer/sales channel seems accurate.
- However, we believe the focus ought to be less on expanding the *type* of retailer (newsagents, post offices etc.) and more on the ticketing technology *available* to retailers, whoever they might be.
- In turn, this may well lead to a wider range of types of retailers in any case.
   (b) How they buy tickets & (c) their ticket format
- We agree with the view that "the pace of innovation and technological developments is slow and has been limited" with regards to ticketing technologies and that GB rail compares unfavourably with technologies deployed in other territories such as those noted in the Report (France and Japan) and also others such as Germany where 100% of tickets are available as 'm' tickets (and where, un-coincidentally, Deutsche Bahn operates and retails the vast majority of tickets and is therefore able to control the roll-out of developments such as m-ticketing).
- However, we disagree with the suggestion that this limited innovation "often reflect the limitations of shared IT systems and industry-owned data."

- Ticketing technologies such as barcode, smartcard and NFC are already available at present within GB rail in the context of shared IT systems and data that underpin the interoperable network held dear by many passengers.
- Where this problem has been addressed specifically, such as the recent successful 'Flexible m-ticket trial' in the North of England, considerable progress has been made to the benefit of all stakeholders (most of all, passengers). We also acknowledge the good work being done by the RDG to develop an industry-wide ticketing strategy on behalf of the TOCs as an example of the progress that can be made when the industry comes together.
- It is worth noting that innovation in ticketing technology such as m-Ticket enables the introduction of a wider range of tickets/products which can be designed around the passenger's needs and the ability for the industry reward frequency and off-peak travel.
- We believe the focus therefore should be on driving innovation by leveraging experts and thought leaders (such as third party retailers) and requiring collaboration amongst TOCs and other industry stakeholders rather than unpicking shared industry systems and data which we feel unnecessarily risks one of the key benefits of the GB rail system, and does not address the underlying issue.

  d) the range of tickets
- we agree that notwithstanding the perceived complexity of the system, there is potential to benefit passengers though the introduction of a wider range of products.
- In particular we agree with the need for the development of a season ticket product that is capable of reflecting modern, more flexible, commuting habits.
- We agree that retailers have an important role to play in helping navigate the perceived complexity and would stress the importance of retailers having full access to tickets/fares/fulfilment methods to ensure it can best serve passengers in this regard.

  e) opportunities to find cheaper prices
- It would be worth adding that the type of ticket and point at which a customer searches for a journey can lead to cheaper prices (e.g. advance vs 'walk-up' fares).
- Whilst we understand the logic in the notion that the face value of a ticket could differ according to the cost of sales channel, we see most sectors moving away from a dated differential pricing system (e.g. offline vs online) as customers expect parity regardless of channel. Furthermore, we are concerned that the basis for the differential could be difficult to calculate and, more importantly, that yet further variety in ticket prices would be unwelcomed by passengers and unnecessary complexity in a retailing landscape already regarded by many to be confusing.

Suggested Action Point – Focus on: (a) incentives for collaboration to drive innovation without foregoing benefits of connected network; and (b) parity of access across channels, in turn building trust for passengers.

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?

The role of incentives and franchising – We tend to agree with the Report's suggestion that the current franchising system plays an important role in influencing the range of products and fares made available by TOCs as a consequence of a TOC's desire to either: (a) win a franchise; or (b)

satisfy a franchise commitment. We believe the franchise process can catalyse innovation through commitments made by TOCs to the DfT. However, the incentives to innovate during a franchise, or otherwise than to satisfy a franchise requirement, are limited. We therefore agree methods of incentivising TOCs to introduce new products (and indeed other forms of innovation) within the term of a franchise would be beneficial.

The role of industry processes – we agree with the Report's suggestion that accelerating/streamlining the process for the creation of new ticket types could be beneficial.

We also believe third parties can help drive innovation in this area. Trainline developed the '10 minute retailing' Advance Purchase product on behalf of Cross Country Trains which was rightly referred to in the Report of an example of an innovative product that took too long to find its way through the industry processes. We believe that third parties and other technology providers can help drive the industry forward but need genuine representation and 'voice' at the industry level. As a related point, whilst we support the principle of developing incentives for creating such new products, this should be on the basis of parity of access to all retailers.

Suggested Action Point – Focus on incentives and create the conditions for collaboration to drive innovation without foregoing benefits of a connected network.

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?

We can appreciate that the necessity for a retailer to sell via an accredited TIS may create the perception that innovation and choice may be limited due to the inhibitions this requirement may place on the retailer. However, there is real value in a sensible level of accreditation and that full relaxation could lead to a retailing landscape that compromises accuracy and adds further confusion to passengers to what is already perceived as a complex system.

The correct balance of accreditation would permit differentiation at the user interface/product level whilst ensuring that rail tickets are retailed, and rail information is provided, accurately and properly; together with ensuring the settlement process operates efficiently and accurately.

The current RSP accreditation system strikes this balance well and does not warrant the Report's focus at this stage; particularly when we think there are much more effective methods of driving innovation/differentiation by bolstering the conditions that would generate greater co-operation amongst TOCs and other stakeholders to effect change, as stated elsewhere in this Response.

Suggested Action Point – Accreditation requirements do not warrant the Report's focus.

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?

Whilst we understand the logic in the notion that the face value of a ticket could differ according to the cost of sales channel there are real challenges to ascertaining the basis for the differential and, more importantly, further variety in ticket prices would be unwelcomed by passengers and introduce unnecessary complexity in a retailing landscape already regarded by many to be confusing (e.g. 215 million fare combinations currently available). Indeed, the consumer and the internet in

particular has moved on from, for example, internet-only products or discounts. Customers expect the same prices online vs offline.

We believe that the Report would be better served focussing on innovation and simplicity for passengers in the manner set out elsewhere in this Response.

Suggested Action Point – Focus on simplicity for passengers.

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?

Independent oversight body - TOCs have the ability to vary the commission levels, the basis upon which costs for shared industry systems, fulfilment methods and services are allocated and strategic direction of key industry matters such as ticketing. Such changes have a material impact on third party retailers. We believe it is important that such a position is not allowed to be misused and therefore welcomed the suggestion that greater separation between the role of TOCs as wholesaler and that of TOCs as retailer would be desirable.

We also agree that it would be desirable for an 'independent' body to play a role in overseeing these arrangements, albeit that we do not consider such body need necessarily assume the role of licensor of third party retailers nor be involved in normal commercial discussions between ATOC/RSP and third party retailers. Instead, once the framework is set by the ORR following its final recommendations, such body could serve as an escalation point for matters arising between third party retailers and TOCs, such as a failure by TOCs to comply with the framework (e.g. relating to third party retailer access to fares) or disputes relating to material licence terms.

Given its familiarity with the arrangements and the fact that it is already recognised as the rail regulator, our view is that the ORR would be the most appropriate body to perform this oversight role. We would see this as a natural extension of the ORR's existing remit.

The Report offers "as an alternative and/or complementary option….to provide a role for an independent member to sit on the relevant TOC decision making groups (e.g. the Commercial Board, the Ticketing and Settlement Scheme council). He/she could be independent of the TOC community but could, to provide insight and challenge to TOC decision-making, have a consumer and/or regulatory and/or transport background". We do not believe this could operate as an *alternative* to the independent oversight body but could be considered as one of the ways in which such an independent oversight body *executes* its duties. Furthermore, we do not believe that the role of any such independent body attending TOC decision making group meetings could act as a proxy for genuine third party retailer representation and consultation (e.g. on matters relating to industry costs, ticketing strategy etc.) which we believe needs to happen alongside the role of any such independent oversight body. For example, we believe it would be appropriate for third party retailer representation on the ATOC/RDG Board.

transparency of retailers' likely costs and remuneration – with regards to retailers' likely costs, we are concerned that the cost of systems and the cost allocation to retailers from those systems can be

changed too easily with no involvement or recourse from retailers picking up those costs and welcome the proposal for increased transparency (alongside retailers' representation/consultation at decision making processes).

By way of illustration: Ticket on Departure fees:
- A significant annual fee is paid by retailers to RSP to operate the core systems;
- a variable fee is paid to the operator of the machine from which the ticket was collected;
- this variable fee is 40p for self-service machines, and £0.90 for collection from window (e.g. if self-service machine not working) and 50p for uncollected bookings.
- it is not clear to us how the annual fee plus variable fee is calculated and suspect the basis bears no resemblance to the underlying costs of such delivery, despite representing a substantial cost to retailers.

We therefore agree that transparency over the basis for calculation and allocation of costs and remuneration would be a welcome step forward but would reiterate that this system should be underpinned by genuine representation on behalf of third party retailers (and others materially affected by such decisions). Amongst other things this would be achieved by third parties being represented at the ATOC/RDG Board.

We believe these changes would provide certainty, transparency and, most of all, fairness; for the benefit of all in the industry, including passengers.

Consultation on significant changes – as set out above, our view is that the cost of systems and the cost allocation to retailers from those systems can be changed too easily (through the 'mandated change' mechanism in the third party investor licences or otherwise) with no involvement or recourse from retailers picking up those costs. Retailers are insufficiently involved in matters of industry strategy, such as ticketing strategy, where retailers can play a significant role in driving innovation and industry cost reduction, which in turn benefits the fare and tax payers.

By way of illustration of the former: the migration from RJIS to LSM system:

- Trainline has been involved in the "Ticket on Departure" scheme since its inception 14 years ago and has a wealth of expertise both in operating the existing scheme, but also customer feedback regarding how it could be improved.
- The replacement of RJIS with LSM could have been an opportunity for the industry to take a step change in how tickets purchased online are ticketed. Ideas that Trainline had collated include:
    o Allow passengers that have forgotten their reference to collect using e.g. surname and postcode
    o Making collection references easier to read and commit to short-term memory (by chunking the number)
    o Allowing passengers to change between "print your own" and "ticket on departure" up until the moment of travel (e.g. where passengers have forgotten to print their tickets)
- Instead, the initiative actually withdrew existing functionality (including the ability for passengers to collect tickets by simply inserting the card used to make payment into the machine).
- Important payment fraud protection mitigations were also withdrawn to ease the migration to the new system, leaving retailers exposed to the cost of increased card fraud, whilst TOCs benefited from the cost saving of reducing the scope of migration.

- Trainline only had limited involvement at late stages of the procurement of the system. This was at a point where the specification was written and the supplier chosen, and hence by which point it was too late to influence anything other than logistics of the cut-over.
- In addition to lack of technical consultation, Trainline was also required to contribute two thirds of the ongoing run costs. Again, there was no consultation or negotiation relating to the commercial aspects of this significant change.
- Trainline has highlighted this example to RSP, and there appears a willingness to work differently on future projects. Nonetheless, we do not yet have any significant influence on other similar projects (albeit we welcome the initial steps by the RDG in consulting with us on formulation of its ticketing strategy review), and it would be helpful to have further support to a meaningful collaborative approach. **To get most value from this there needs to be meaningful engagement early in the process – the ability to help in the fashioning and shaping of policy rather than just sign off is required.**

Finally, we agree that the current regime for resolution of disputes could be improved by including within the scope of the role of the proposed new independent oversight body (which we believe should be the ORR) a duty to act as an escalation point relating to matters pertaining to licensing and other legal/regulatory duties affecting the arrangements between TOCs and third party retailers.

Suggested Action Point – Introduce ORR as point of escalation, transparency over rationale for cost allocation and regime for meaningful engagement with, and representation for, third parties.

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

In our view the focus ought to be less on expanding the *type* of retailer (newsagents, post offices etc.) and more on the ticketing technology *available* to retailers, whoever they might be.

In turn, this may well lead to a wider range of types of retailers in any case.

The Report suggests an ability for retailers to offer a limited range of fares, which presents two concerns that would need to be addressed. First, passenger confusion: as the ORR has identified as part of its consultation and development of a Rail Retailing Code of Practice, passengers find the current retailing landscape somewhat confusing; a position not helped by the limited range of fares offered by TVM machines. Introduction of retailers that offer a limited range of fares could reproduce this problem. Second, if this development led to a position whereby the principle of interoperability were eroded with TOCs developing technologies (such as fulfilment methods) that were only effective on its dedicated routes, this would have a passenger detriment as discussed elsewhere in this report. As set out above, we believe that passengers place significant value in the integrated network and the need for perceived simplicity in retailing.

Suggested Action Point – Focus on innovation and technology. This in turn will benefit the market.

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)?

Access to all fares – We believe it is important that passengers should have confidence that they will be sold the same fare (i.e. the best fare) for their journey regardless of where they choose to purchase it in order to ensure passenger trust and confidence in booking online. We were disappointed that the Report did not go further in its recommendations in this area.

We entirely agree with the view expressed by the ORR in the Report that "it is beneficial to passengers to be able to buy their chosen fare from as wide a range of retailers as possible. As such, by limiting third party retailers' access to certain fares it, in turn, limits passengers' choice of where they can buy rail fares."

There is a great deal of passenger confusion already existing in the UK on where to get the cheapest rail fares. Research by the ORR itself discovered that some 50% of respondents agree it's a lottery if you find the best fare of not. 43% say the fare system is too complex.

Transport Focus research in 2015 reveals that for most people, value for money was the key factor in their choice of ticket and yet the proportion of passengers satisfied with the value for money of the price of their ticket nationally was 45 per cent. Furthermore, Trainline commissioned international independent industry research that found that the highest factor in response to the question ""what would need to change to book online?" was "a single source for rail booking" i.e. not having to shop around.

To the extent that fares are restricted to a TOC's own retailing channels (either dedicated promotional fares or discounting permanent fares) this is unhelpful for passengers and damaging to other retailers.

Passenger confusion and distrust will only be increased if passengers need to sift through multiple different channels and sites that have dedicated fares and this would hold the industry back in gaining share versus other modes of transport.

Third party retailers provide a significant reach of distribution that would allow more passengers access to the best fares across all product types. Trainline receives c.20m visits per month to its web and mobile channels. The industry can ensure that the best fares are being offered to the widest possible audience and indeed passengers expect it.

We note also the Government's stated aim to introduce a passenger's right to demand the best fare for their journey. We fully support this initiative but would strongly recommend that for any such regime to be effective, parity of access to fares and products to all retailers is an essential prerequisite.

In addition to the above it is important that third party retailers are also granted parity of access to fulfilment methods, data, products and customer benefits. To deal with each in turn:

- o <u>Parity of access to fulfilment methods (e.g. barcode, smartcard)</u> - We believe that all retailers should be able to offer passengers the benefit of more convenient ticketing options such as m-tickets which have been deployed by such TOC via their own channels. There are examples of retailers being restricted from the ability to fulfil to mTicket, particularly for Advance Purchase products. This is damaging to the wider imperative of promoting new technology to users of the railway and ultimately impacts passenger choice.

o <u>Parity of access to data</u> (e.g. real-time, performance data) - Access to data has very much improved in the past couple of years (esp. real-time data). However we are keen to ensure that this continues for all types of data that can be used to best serve passenger needs. For example, access to data relating to TOC performance could be used for the purposes of allowing retailers to provide 'delay repay' services to passengers. Ultimately, passengers will benefit the most when *all* relevant data available to TOCs is made available to retailers on a free and unencumbered basis.

As a related point, we believe that third party retailers must in principle be permitted to provide passengers to whom it has sold a ticket for a delayed journey with a 'delay repay' compensation service on the same basis that TOCs currently can. The effect of this would be that a passenger need only deal with one party throughout the whole sale and after-sales process. In most other retail contexts, consumers expect to be able to deal with the retailer that sold them the product in the event of after-sales issues arising. At present, this capability is only offered by the TOCs, rather than through the channel that the passenger purchased, to the detriment of passengers.

As noted by the ORR in its February 2014 Passenger Compensation Report, three quarters of rail passengers are unaware of their compensation and refunds rights. Simplifying this process by permitting the retailer through whom a passenger has purchased a ticket to provide a delay repay compensation service would go some way to improving this position.

o <u>Access to all products</u> (e.g. season tickets) – Again, we agree with the Report's assertion in Chapter 4 that "it is beneficial to passengers to be able to buy their chosen fare from as wide a range of retailers as possible." The most important product that has hitherto been excluded from third party retailers is Season Tickets. As noted by the Report, we have welcomed the recent initiative introduced by ATOC for a third party retailer season ticket trial, in which Trainline is participating (and which should be made permanent at a fair commission level).

Indeed, we believe such historic restriction of access to Season Tickets has not been in the best interests of passengers - it is notable that there has been far less innovation in the retailing of Season Tickets than other products, which we believe in part is due to the lack of access to this product. We find it quite exceptional that in 2015 passengers are still queuing at stations buying their ongoing travel needs in single annual payments (often needing loans to fund them) where most utility providers offer monthly direct debits set-up via the internet.

o <u>Parity of access to customer benefits</u> (e.g. delay repay) – We believe that customers should get the same benefits regardless of the channel by which they purchase to ensure passenger confidence, such as allowing retailers to provide 'delay repay' services to passengers.

Retailers' ability to discount – Again, in order to ensure passenger confidence, passengers should be granted access to all discounts made available by TOCs regardless of the sales channel through which they book.

Whilst we consider the idea of 'net fares' and/or 'wholesale pricing' interesting, we are concerned that the challenge of creating a regime that is accepted by all may be difficult to achieve. Moreover,

we suspect that yet further variety in ticket prices would be unwelcomed by passengers and lead to unnecessary complexity in a retailing landscape already regarded by many to be confusing.

Retailers' ability to create new fares and products – we are always interested in new methods of providing passengers with innovative offerings, including new fares, product and fulfilment types. We would be very happy to explore these possibilities further.

Suggested Action Point – Creating conditions for passenger confidence by ensuring parity of access.

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?

As stated earlier in this response, we agree that the requirement for TOCs and retailers to retail and accept interoperable and through fares can risk the speed with which TOCs and retailers can innovate with regards to ticketing. However, as noted in the Report, through collaboration (including with third parties) a number of TOCs *have* developed 'mutually recognisable m-tickets and e-tickets on inter-available fares'. Whilst this has developed more slowly than is desirable (certainly compared to European railways and other modes of transport such as air), this initiative evidences that innovation is possible within the framework of the current interconnected network passengers value, so long as sufficient incentives and other conditions/drivers exist to encourage/require this collaboration. Indeed the DfT and the Government can (and do) play a leading role in creating the conditions and driving the direction of ticketing strategy.

Similarly, with regards to shared industry back-office systems, whilst we can appreciate that changes need consensus, our view is that the efficiencies and predictability for all stakeholders that is achieved through the use of shared industry systems outweighs any disadvantages.

So whilst we agree with the Report's suggestion that incentives/conditions to collaborate and innovate could be improved, it is not necessary to relax the obligations on TOCs/retailers to facilitate a fully integrated, national network. Instead, we think the most effective solution will be for Governments/Regulators to work with TOCs and other stakeholders to help drive the direction of ticketing strategy.

We do not believe the role of Government should necessarily be to set technical specifications or even the type of technology (e.g. barcode vs smartcard) but we do think Government should mandate collaboration amongst TOCs, third party retailers and technology providers and, in doing so, should consider how to remove disincentives and increase incentives for TOCs to participate meaningfully in such initiatives.

Suggested Action Point – Government should seek to create the conditions that remove disincentives to innovation and require collaboration to achieve goals beneficial to the passenger, such as ticketing technology on a network-wide basis.

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?

See answer to Q10 above

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?

Third parties should play a greater role in the development of shared IT systems and also in ticketing strategy. This is for two key reasons. First, because third party retailers such as Trainline have a track record of innovation. We were central to the development of Ticket on Departure, self-print ticketing, developed the first mobile app in 2009, and the first retailing app in 2010. More recently, Trainline has improved the passenger's ticket purchasing experience by leading a cross-functional team developing the successful 'Flexible m-ticket' trials in the North of England, introducing real-time platform information and delay alerts on mobile apps, reducing ticket purchase flow to 3 clicks, and introducing new payment methods including Paypal and Apple Pay. And, second, because third party retailers are not subject to the vagaries of franchise requirements, nor franchise (and related investment) horizons which can lead to, understandable, divergent views amongst the TOC community on initiatives and projects requiring investment. Third party retailers such as Trainline also service a variety of passengers whose needs range across the scale from commuters to the long-distance rail market. This is in contradistinction to the position of most TOCs whose focus in normally on a subset of the passenger market.

For these reasons, we believe third party retailers can bring thought leadership and unique passenger insight into the development of IT systems, particularly those which touch passengers directly such as ticketing. In this regard we would refer once again to the opportunities missed by the industry as a result of the migration of the RJIS system to the LSM system (see our response to Q6 above) and also the role third parties have made in in product innovation (including retailing via Apps, development of barcode ticketing, peak/off-peak tool, best fare finder etc.)

We would go further than the suggestion in the Report that TOCs should introduce formal working groups as a means for TOCs to update non-TOC parties and would suggest that third parties (and other relevant stakeholders) should form part of such working groups with an equal voice to drive innovation and efficiency on behalf of the industry and the passenger. In addition, there should be representation for third party retailers at the ATOC/RDG Board

Suggested Action Point – Create conditions to allow third party retailers to fully engage and participate in industry strategy.

Trainline.com Limited – September 2015