pteg the voice of urban transport

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Support Unit Director Jonathan Bray

Our Ref: PA
Your Ref:

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Siobhán Carty
Office of Rail Regulation

Dear Siobhán

Retail market review for selling tickets – initial feedback

pteg welcomes the opportunity to contribute to the ORR's market review of the selling of train tickets. This letter represents our initial views ahead of the workshop on the 8 May, which I will be attending.

pteg represents the six Passenger Transport Executives (PTEs), which are the main strategic transport planning bodies outside London. All PTEs play an active role in the development of local rail systems and they have been particularly instrumental in the introduction and expansion of multi-modal ticketing products. In recent years, PTEs have played a key role in the development of smart ticketing systems outside London. As part of the Smart Cities programme, we are working closely with the DfT to identify and overcome obstacles in order to accelerate the take up of smart integrated ticketing products across the metropolitan areas.

I understand that some PTEs are providing individual responses to the ORR. In ***pteg***'s initial response, we highlight three broad themes of common concern across our members and which we feel should be central to the review. We are happy to elaborate on these further at the workshop or in subsequent communication with the ORR.

Value of multi-modal tickets

Multi-modal tickets have a high value to passengers. This is demonstrated by PTE schemes such as West Yorkshire's Metrocard, which is used by twice the number of local passengers as those who rely on rail-only products. The fact is that few trips start or end precisely at two rail stations. Multi-modal tickets cut the cost and uncertainty surrounding access/egress legs by other public transport modes. Such tickets also have a high value to society at large as they widen travel catchments, encourage greater public transport use and contribute to reduced highway congestion.

Yet the full social value of multi-modal tickets is not necessarily reflected in the financial incentives faced by private sector stakeholders. This explains why industry initiatives such as PlusBus have had a relatively limited impact. As such, we believe that the regulatory framework has an important role to play in promoting this type of product.

Trade-off between ticket/retail variety and increasing complexity

There is a trade-off between the variety of tickets available and the psychological burden which this imposes on passengers. There is some evidence to suggest that passengers place a relatively high value on fare structure simplicity[1]. As such it can't be taken for granted that an increase in the range of tickets and retail channels available will always generate an overall net benefit to passengers. We would encourage the ORR to undertake further research into this important but under-researched area.

Smart ticketing lessons learned

It is important that the ORR's analysis of smart ticketing takes into account the developments taking place in other parts of the transport market and beyond. This is for two main reasons.

Firstly, integration is one of the key potential benefits of smart ticketing[2]. It's therefore important that rail industry systems are compatible with those employed in other markets and that industry incentives reflect the benefits from greater integration.

Secondly, PTEs have been working for a number of years to implement smart ticketing systems in what are highly complex local transport markets[3]. This experience could therefore be valuable in understanding the incentives faced by different stakeholders, in anticipating potential obstacles and in identifying opportunities for new product development. For example, our experience to date suggests that the procurement of smart ticketing equipment and operating systems by the rail industry can be significantly more expensive and protracted than in the case of systems procured by PTEs.

We are happy to work with the ORR to provide access to information held by ***pteg*** or to facilitate access to the relevant PTEs.

I hope that this initial response helps to inform your thinking and I look forward to the workshop.

Yours sincerely,

Pedro Abrantes
Senior Economist

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[1] See for example, AECOM (2009) Bus Soft Factors Study (report to DfT, Accent's 2013 research on fares simplification for PDFC and Ofgem's market research into customer preferences, which has informed recent proposals for the simplification of energy fare structures.

[2]

[3] Some metropolitan areas have over two dozen local bus operators of varying sizes operating in a mixed deregulated/competitively tendered market, in addition to local light rail concessions and franchised rail operators.