

ORR Review of the retail market for selling tickets

Initial Consultation Response from TfL

March 20 2014

This note sets out TfL's response to the invitation from the ORR to participate in a market review of the selling of train tickets; to submit initial views and to attend a workshop on Thursday 8 May.

BACKGROUND TO THE TFL RESPONSE

1. TfL is aware that in its October 2013 Rail Fares and Ticketing Review, the Department for Transport (DfT) said it was keen to see more investment in ticket selling and more innovation from train operating companies (TOCs), but queried whether some aspects of the current ticketing system stifle innovation, change and, potentially, competition.
2. An extract from the DfT's review is appended which provides further detail on the Department's concerns and the context of the ORR's review.
3. In its invitation to participate in the review, the ORR asks for feedback on the following questions in particular:
 - 1) What additional drivers (if any) of the review should be considered?
 - 2) What is your view on the proposed scope of the review?
 - 3) What, if any, additional areas should be considered? What areas, if any, should not be considered?
 - 4) What features of the GB retail market for tickets work well? What features of the retail market for tickets work less well for passengers and industry?
 - 5) Are there examples of particularly innovative retailing approaches from rail markets elsewhere or other sectors that could be relevant to the GB rail market?
 - 6) What are your views on the proposed timetable and approach to the review?

TfL has sought to provide feedback on these questions in its response below

Drivers of the review

4. The ORR notes that whilst buying a ticket from ticket offices remains popular, use of online sales channels and ticket vending machines (TVMs) are increasing, with passengers are also making increasing use of print-at-home tickets and advance purchase.

5. TfL agrees that new and emerging technology has the potential to bring about fundamental changes to ticket retailing processes - to reduce the costs of retailing while simultaneously providing a better experience for customers.
6. TfL also agrees that clear and fair comparisons between suitable tickets and different suppliers can give rise to significant benefits to passengers.

Scope of the review

7. The DfT, in its October 2013 review of fares and ticketing, notes that other industries have benefitted by opening up markets and allowing the entry of new retailers and the creation of innovative retailing approaches.
8. It is not clear to TfL how much scope market opening has to deliver similar benefits for rail customers given the complex anomalies within the rail industry tariff structure. However, if as reported by the DfT, some parts of the industry and some potential new entrants do feel that the industry arrangements and practices mean they are prevented from competing to sell train tickets in more innovative or competitive ways, this should clearly be addressed.
9. TfL therefore welcomes the fact that the ORR is undertaking a review of the market for ticket selling to consider the issues above in more depth in line with the DfT's fares review recommendation – see the extract attached.

Features of the present retail market for train tickets that work well and less well

10. For relatively low value and routine purchases, the present retail market works tolerably well, though the huge success of Oyster PAYG on National Rail services in London points to the frustration that users felt with the way such travel was retailed formerly – the need to queue for a ticket; the attendant delays and uncertainty; and the sometimes problematic nature of the transaction itself when staff are not available.
11. For more complex, higher value transactions the system can appear to be a maze for customers unaccustomed to purchasing a specific product, with non standard advance purchase rules, groupsave and railcard discounts. Individual members of staff may be skilled and helpful but is no substitute for a ticketing proposition that is clear and simple.

Examples of innovative retailing approaches

12. Within London, TfL has been seeking for some years to reduce the need to purchase single ride and return tickets and to promote the use of Oyster pay as you go which delivers best value automatically and enables users to top-up their cards by simple amounts. Over 40% of all journeys on London Underground are now made using PAYG.

13. TfL has also been investing in more intelligent self-service ticket machines which avoid the need to provide staffed ticket windows, with station staff supporting the use of the self-service machines. TfL has also been investing in its own web-site as a single authoritative channel for travel advice, high value purchases and customer service.
14. As changes in technology change the way in which customers buy tickets, it is important that methods of ticket selling adapt. For stations managed by TfL concessions, TfL supports the case for transferring responsibility for decision making on ticket office hours from Schedule 17 of the TSA to TfL.

The proposed timetable and approach

15. TfL is content with the proposed timetable, with Stage One, running from February to July 2014, intended to focus on identifying the relevant issues and Stage Two, running from August to late 2014 focusing on the potential options.
16. TfL will be happy to participate in the workshop proposed for the eighth of May.

Extract from the Department for Transport Fares Review - October 2013 - Page 49

1. All train operators sell the full range of tickets for journeys right across the network (not just on their own trains). However train operators do not have the monopoly on selling train tickets. Passengers can also buy tickets from third party ticket retailers who have obtained a licence to sell tickets from ATOC.
2. These are predominantly online retailers such as thetrainline.com, raileasy.com, redspottedhanky.com and mytrainticket.com. There are a handful of other retailers selling tickets *face to face*, but these are few and far between and most are operating as agents or contractors to TOCs rather than as independent third parties.
3. Companies will only enter this market if they think they can make a profit after, and there is a cost to maintaining a staffed physical presence as well as accessing rail industry IT infrastructure. However, we are concerned that some aspects of the current system could be stifling innovation, change and potentially also competition.
4. Other industries have benefited by opening up markets, allowing the entry of new retailers and/or innovative approaches, and many of those benefits have accrued to the consumer as a result of increased competition. We are therefore keen:
 - to see the same thing with selling rail tickets, especially now that fares data is in the public domain;
 - to know that there is a healthy and level playing field for all existing and potential online retailers, including train companies;
 - to be satisfied that the market structures provide appropriate opportunities for launching and selling innovative products, and the flexibility for retailers including train companies to embrace new technologies and retail platforms as they emerge.

To this end, we [DfT] are pleased that **the ORR will be undertaking a review of the market conditions for selling train tickets** later this year.

This review will consider whether the current markets are operating efficiently, effectively, and in the best interests of passengers and taxpayers.

We would also be keen to see this review explore the impact of regulation on market development and costs; the structure of the market including the role of third party retailers; consideration of the practice of charging administration fees; and the extent to which existing incentives are driving good outcomes, as addressing any issues in these areas would help facilitate the ticketing ambitions we have set out.

It is important that any barriers to market access are identified. We fully support the ORR in taking forward this review and considering these issues. The ORR intends to complete its review and publish its recommendations by summer 2014, following which we will consider the options for addressing any issues they identify, subject to cost and affordability constraints.