

Dear Ms Carty

Many thanks for your letter of 19 February 2014 and for giving Metro the opportunity to submit some initial observations in relation to this review. Ticketing retail and linked fares questions are a very important issue and we welcome ORR's initiative in examining it. We would offer the following thoughts:

- In our view, which appears to be supported by survey data, what passengers most wish to see in rail's ticket offer are good value for money (an area where rail consistently scores poorly in the National Passenger Survey) and a straightforward and reasonably simple range of products.
- There is also support for there being some choice of ticket products, for example some willingness to trade flexibility in travel time against price – provided that this is done in a consistent and transparent manner and conditions are not excessively onerous (for example, the current treatment of travellers with advance-purchase tickets who travel on the 'wrong' train as ticketless travellers is widely, and justifiably, criticised).
- However, beyond this, there is little evidence that, in and of itself, further choice is inherently always a good thing. Your letter appears to take as a starting point that a wider choice is in itself necessarily desirable, but we would suggest that the assertion that *"[choice] can give rise to significant benefits to passengers"* does not have a clear evidence base and risks begging the question. A sounder starting point would be to examine firstly the extent to which passengers would like additional choice, at the likely cost of yet further complication of a ticketing system already perceived widely as over-complicated, confusing and lacking transparency. Examples where choice is a two-edged sword may include single-TOC ticketing and inconsistent peak/off-peak/super-off-peak restrictions, as well as the advance-purchase system.
- We would make a similar observation as regards on-rail competition: your letter implies that this is inherently a good thing in the ticketing market (this is clearly not the forum to discuss open-access TOCs), but the basis for this assumption is not clear. The correct evidential starting-point would be to examine the preliminary question of whether competition between operators with differing ticket offers is (a) in fact associated with cheaper tickets (this would be a reasonably easy piece of statistical analysis), and (b) desirable for passengers given the disadvantages (see previous bullet-point). The critical point is that a rail operator's principal competitor is not a rival TOC but is alternative modes of travel: primarily the aeroplane or car. Once again, the corollary of competition is often increased complication and can in some cases be lower system-wide efficiency.
- Similarly, international comparisons do not clearly support the assertion that railways with a higher degree of on-rail competition are more innovative – or more successful in terms of competing for rail's overall modal share; there could be instances where on-rail competition in fact stifles or detracts from rail's overall competitiveness. With specific regard to rail's ticketing offer, competition can in some respects make innovation more difficult to deliver, with for example highly integrated and/or regulated railways more easily able to deliver new

approaches such as e-ticketing, m-ticketing and smartcards in a consistent and attractive manner.

- The scope for third parties to enter into the ticket-retail market may well, however, bring passenger benefits. One example on the regional networks where this is likely to be the case might be on local lines such as those with Community Rail Partnerships, where local, independent entities might take over an existing ticket retail facility or open a new one on a currently unstaffed station. However, in such an instance it is likely that a simpler, rather than more complex, ticketing offer would be more helpful in realising these benefits.
- It follows from the above that you might want to consider adding to your list of areas for the review to consider (and gather evidence on) the preliminary questions of:
 - What does the passenger want from the fares and ticketing offer? (Is a wider choice a priority?)
 - What is the case for further competition in fares and ticketing terms of passenger benefits, balanced against disbenefits?

In terms of your proposed study stages, we would accordingly suggest a “Stage 0” to consider the above preliminary questions in order to ensure that the assumptions of the study are sound. Both at this stage, and in your “Stage 2”, we would suggest that focus groups and fresh surveys could be valuable.

I do hope that you find this input helpful and look forward to hearing how this potentially very useful review progresses. As indicated previously, I do not unfortunately now expect personally to be able to attend the May stakeholder review session, though I am pleased to note that Pedro Abrantes from PTEG is proposing to do so.

Naturally I would be more than happy to discuss any of the issues I have raised in this note.

Many thanks

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