

# **ORR Consultation: Retail Market Review – A Response from Michael Brooks**

## **About me**

I am a retired planning consultant with experience in both land-use and transport planning and of community engagement. I have always sought to encourage the use of non-car modes of passenger transport and taken a keen interest in the promotion of rail travel as a sustainable transport option. I have actively engaged with other consultations relating to the rail industry including HS2, other rail projects and DfT franchising proposals. In addition, I am a rail passenger myself from time to time.

I should add that I have no connection with any TOC or ticket retailer.

## **Questions**

### **1. Is our description of the retail market for tickets and passenger buying behaviour correct? If not, are there any relevant trends/issues we are missing?**

At this point I would merely point out that there are some types of ticket or transaction that currently are only available through station ticket offices. The two that I have in mind are:

(a) Local authority concessions. Some local authorities offer concessionary rail travel to holders of the bus pass under the English National Concessionary Bus Travel Scheme (and their equivalents in Wales and Scotland) for travel within their own and adjacent local authority areas. However, these concessionary tickets (for which no railcard is required) can only be obtained at a staffed ticket office within the concessionary area. They cannot be obtained from TVMs, online or third-party retailers (except in some cases from the local authorities' own offices). Thus when station ticket offices are closed, pass-holders cannot take advantage of this concession.

(b) Rail Travel Vouchers, commonly offered by TOCs as compensation for delays or cancellations, can only be redeemed against the purchase of rail tickets at staffed ticket offices and not when purchasing tickets from TVMs, online or third-party retailers.

### **2. Have we appropriately captured the most significant changes to ticket retailing in the last 10 or so years? Do you consider that the pace and level of developments and changes have been appropriate in meeting passengers' changing needs?**

Generally, 'yes' to both questions.

### **3. Are there insights on passenger behaviour, market share and sales channels from other sectors that are worth considering?**

Whatever the developments in electronic ticketing, many passengers wish to retain the reassurance of having a paper ticket in their possession during their journeys. Whilst systems such as TfL's Oyster are paperless, to date these are used for comparatively straightforward journeys with a simple fare structure. As electronic systems develop further, passengers wishing to continue to use paper tickets should not be put at a disadvantage in terms of price or convenience.

**4. Have we accurately described the ticket selling arrangements in respect to i) retailers' incentives in selling tickets; ii) retailers' obligations to facilitate an integrated, national network; iii) retailers' governance arrangements; iv) retailers' industry rules; and v) retailers' industry processes and systems?**

Yes to all.

**5. What are your views on the impact of the retailers' incentives in the way they sell tickets? To what extent do the incentives discussed herein impact retailers' approaches, and how do these differ by retailer type? From the point of view of a retailer, what factors have to be present to make the development of new products an attractive proposition?**

I have not experienced partiality when buying rail tickets from any source. Any accusation of this sounds to me like 'sour grapes'.

**6. What are your views on the impact of the impartiality obligation? What is your view on passengers' awareness of impartial retailing? How does the cost of impartial retailing impact passengers' services? How could this be addressed?**

I cannot agree that "the impartiality obligation creates passenger confusion" (Consultation Document, para 4.11). The sheer number of ticket types and options available does give rise to passenger confusion, although they are there of course for the very good reasons of maximising revenue, controlling numbers in the peak and incentivising off-peak travel. But any accusation of confusion cannot be levelled at the impartiality obligation.

**7. With respect to split ticketing, what are your views? Are passengers appropriately safe-guarded against the risks attached to split ticketing? To what extent do industry processes and systems enable split ticketing to be developed by industry and used by passengers? Where there are issues, what could be done to address them?**

Whilst some passengers may go to extreme lengths to seek out the more complicated or esoteric split-tickets for a journey, there are simpler cases where split tickets are fully justified. One example is where a journey comprises a main 'inter-city' leg followed by a shorter local journey. Although 'add-on' fares for local legs at the beginning or end of the main part of a longer-distance journey are generally charged at a cheaper rate, this is not always so and split tickets can under some circumstances be cheaper than the through one.

The risks to the passenger of using split tickets where a change of train is required depend on time of day and service frequency: for some journeys the risk is very low, e.g. where the second leg has a good service frequency and a missed connection is of little consequence. Of course, if TOCs extended their promise of 'delay repay' compensation (and of getting the passenger to his destination by whatever means if the last train of the day has been missed) even if split tickets were used, then it would be simpler all round. Many high street retailers will refund or exchange goods without question: this attitude could be extended to TOCs in the interests of good public relations. The costs to TOCs would be minimal.

In any case, there should be no proposal to invalidate split ticketing, even where a change of train is not made: the only acceptable restriction, as at present, is that for a through journey the train must stop at the station where the ticket is split. If a TOC's through fare is higher than the split-ticket price, then it is only reasonable that passengers should seek an alternative. If TOCs want to reduce the incidence of split ticketing, then it is within their power to ensure that through tickets are not priced more highly than the equivalent split

tickets: thus the retention of split-ticketing may even help to drive down the price of through fares.

The issue of the validity of split-ticketing should be separated from the question of whether this facility should be actively offered or promoted. Where tickets are bought face-to-face from a booking office or retailer or through a call-centre, then split tickets should be offered where this gives a price advantage to the purchaser, provided that the risks (if any) are explained. In many cases, the passenger will accept the risks for the lower total fare. Online enquiry bureaux, such as National Rail Enquiries, should also offer split tickets as one of the options for a journey if this provides a price advantage, again provided that the risks are explained (in the same way that restrictions on an Advance ticket are explained). However, this is one instance where I would not place the same obligation on third-party retailers, although they may choose to offer this option.

**8. What are your views on the requirement on TOCs to create and retailers to sell inter-available and through tickets and to offer a timetabled, walk-up service? What are your views on the benefits passengers and TOCs derive from these tickets and the timetabled, walk-up service? What challenges does this obligation give rise to, if any? Where there are issues, what could be done to address them?**

Inter-available and through tickets are essential to preserve the integrated nature of the national network. Passengers are generally not interested in which TOCs run their service and want to see the network as a whole, with easy transfer between operators when changing trains and inter-availability of tickets (except Advance and 'one-TOC' tickets). Whilst it is true that the majority of tickets sold by any one TOC (especially those TOCs running largely local or commuter services) are not for inter-available tickets or for journeys involving more than one TOC, the additional costs involved in supporting this service are just part of the necessary obligations of running a franchise. There should be no dilution of this requirement. Rail travel is discouraged, not promoted, by fragmentation of the network in this way. The only exception I would make would be to permit a third-party retailer to offer only local tickets within a metropolitan city area such as Manchester or Liverpool.

All ticket retailers should continue to be obliged to offer the full range of tickets for any destination, including walk-on fares. The only exception is TVMs which by their very nature can only offer a more limited range of fares (as stated in Para 3.13).

There are still plenty of opportunities for innovation in fares and ticketing – for example, unreserved discounted walk-on 'one TOC only' fares on multi-operator lines. A few examples of this exist, e.g. London Midland and (for Peterborough-London) Great Northern, but there is still more scope for such initiatives. An additional innovation is 'carnet-style' season tickets, valid for a given number of journeys but not necessarily on adjacent working days – although there is currently an issue with validation here as each ticket has to be manually endorsed with the day of travel and this cannot be read by ticket gates.

**9. With respect to having minimum obligations on TOCs to have their station ticket offices open, what are your views on the impact of these obligations on how the market can develop in line with passengers' needs?**

There is room for more flexibility here without encouraging or permitting the wholesale closure of TOCs' station ticket offices. TOCs need to continue to open ticket offices at times of high demand and to be available at other times to deal with more complicated transactions, such as enquiries about more complex journeys, issuing and renewing railcards and dealing with the matters raised in our answer to Question 1, above. Proposals to amend

offices' opening hours could still be made without invalidating the franchise agreement, particularly if usage figures against time of day and day of the week were published and the proposals were subject to public consultation.

'Cost per ticket issued', if indeed this is a helpful measure, are bound to be higher for ticket offices because of staffing. But ticket offices do offer additional value and convenience for the passenger: the human contact, the opportunity for advice and for transactions unavailable by other means. Compare cash machines at banks: these are relatively inexpensive to operate, but bank counters are still needed for advice and certain other transactions.

There is scope for more ticket offices to be transformed into 'travel centres' – not merely at large city-centre stations: as well as selling tickets and giving travel advice, they could provide an additional range of 'value-added' services and sell other travel-related products, thus generating additional revenue for the TOC.

Station ticket office opening hours should be clearly displayed at the station and on the TOC's website, and ticket offices should not be randomly closed at certain times of the day as can happen at the moment.

**10. With respect to TOCs being prohibited from charging fees, what are your views on the impact of this requirement? To what extent, if any, does this give rise to a distortive effect between TOCs and third party retailers?**

Given the obligations (and costs) that TOCs have, the fact that TOCs are prevented from charging fees over and above a ticket's face value is in fact to their advantage, since it encourages passengers to purchase their tickets from them rather than elsewhere. Third-parties do not *have* to charge fees (and some don't) – for them it is a commercial decision. Retailers serving the business community can justifiably charge fees as they are often offering a service beyond mere ticket sales: journey planning, consolidated accounting and billing etc. The prohibition on TOCs' charging additional fees, whether at booking offices, TVMs or online, should remain, with all the clarity for the customer that that provides. The addition of transaction fees or other add-on charges would only be seen as a form of fare increase by the back door, and would be resented by the public. The cost of sales, at least for TOCs, should be included in the TOCs' overall costs, as now.

**11. What are your views on the current form of industry governance? Are there specific examples where the governance has enabled or limited retail innovation? Where necessary, how could industry governance be improved?**

I agree with the benefits of the governance arrangements outlined in Para 5.2 of the Consultation Document. There may be a case for a representative of third-party retailers to take part in discussions on industry governance, and a representative of passenger groups would also be welcomed, but otherwise I see no need to change the current principles.

**12. What are your views on the current form of industry rules? What benefits do they give rise to, and how? Are there any specific aspects of industry rules that limit or dampen innovation in retail? How could they be addressed?**

I have no comment to make on how commission rates are set and whether or not they should differ between retailers. All I would continue to emphasise is that transaction fees for ticket purchase from TOCs should continue to be prohibited.

**13. With respect to the third party retailers' arrangements, to what extent does the nature of their relationship with TOCs enable them to benefit passengers, including bringing about competition and innovation? How are the arrangements between the wholesale provider and the third party retailers in other sectors relevant to rail? What is the impact of third party retailers in rail not having access to a wholesale market / wholesale price? Do the industry governance, rules, processes, and systems pose additional impacts for third party retailers that we have not captured?**

Discounts for using certain methods of ticket purchase from TOCs which result in lower costs for the operator, such as online and TVMs, should be encouraged and could be much more widespread than they are at present. It could only be to passengers' advantage for third-party retailers to be able to offer their own discounts, if it could be made attractive for them to do so. But I do not have any problem with other rules that favour TOCs, given the costs and obligations that they already have.

**14. What are your views on the current form of industry processes and systems? What benefits do they give rise to, and how? Are there any specific aspects of industry processes that limit or dampen innovation in retail? Do these processes have other impacts, either causing problems or leading to benefits?**

The one comment that I would make is that 'Advance Purchase on the Day' (APoD) tickets, whilst a valuable innovation, should not be offered in conjunction with seat reservations later than (say) 2 hours before the train's departure from its initial originating station. This is because conflict arises between 'walk-on' passengers already occupying seats which are subsequently 'reserved' for APoD ticket-holders. The TOC will still require to restrict the APoD passenger to a particular timed train, of course, but this can still be done with a 'blank' seat reservation coupon naming the train service but not the seat – a system used by London Midland which offers Advance tickets but not seat reservations.

I think that we have to accept that the complexity of rail ticketing is such that only the larger third-party retailers will be able to offer a comprehensive service for an integrated, national network. There is already a reasonable amount of competition, and facilitating further competition is likely to have diminishing returns, except in very niche markets (such as that mentioned in our answer to Question 8). This is the 'price' to be paid for having a complicated 'yield management' system of fares designed to maximise revenue, to match supply and demand, to encourage off-peak travel and to charge more for the most crowded services – in short, to charge 'what the traffic will bear'. Third-party retailers should live with the system.

That is not to say that increased efficiencies in the bureaucracy of running industry processes and systems should not be sought and made. These would benefit all parties. It may be, for example, that there are too many seats at the tables of decision-making bodies and that a more representative system with smaller committees would be slicker and be able to make faster decisions.

**15. With respect to industry data, how does access to and quality of data manifest? What is the impact?**

I have no further comments in respect of this Question.

**16. What are your views on our proposed approach to assessing the materiality and relevance of the impacts? Please particularly consider the extent to which the incentives, obligations, governance, rules, processes and systems in place facilitate or inhibit i) passengers being active, empowered and engaged in the market, causing suppliers and retailers to reduce costs and raise quality; and ii) retailers can compete to deliver services that meet consumers' needs and expectations.**

Let us not place too much emphasis on the importance of a truly competitive market in retail ticket sales. As has been noted in Figure 3 of the Consultation Document, by far the majority of ticket sales is by TOCs, whether through booking offices, TVMs or online, and this, I suggest, is likely to continue. Yes, there has been some growth in third-party online sales, but increasing competition between retailers is likely only to have a marginal effect on sales volumes or costs to the passenger. Apart from quality and reliability of service, much more significant in attracting passengers to rail are TOCs' innovative fares (such as super off-peak and walk-on 'one-TOC' tickets), the further spread of Advance tickets and special offers to encourage passengers on to lightly-used services, coupled with suitable advertising and promotion, both national and local. It is even possible that expenditure to encourage third-parties – or the easing of restrictions on them – could cost more than the benefits obtained.

**17. What are your views on proposed approach to Stage Two of the Review?**

Comparisons with other industries (such as airlines) are of limited value as they do not have an integrated national network to support. 'Unbundling' in telecommunications or the postal service occurs at a much clearer and understandable interface than with the railway.

By all means let technical innovations be explored and exploited, so long as these: (a) do not undermine the integrated network principles; (b) do not put passengers using conventional ticketing at a disadvantage; and (c) do not force customers to pay more than they do at present.

**18. What other views have you regarding the Review that has not been captured in the questions above?**

I think that I have made all the relevant points above.

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