

# Office of Rail Regulation (ORR) Inquiry on the Retail Market Review

## VisitBritain's Submission

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October 2014

### About VisitBritain

VisitBritain is the United Kingdom's strategic body for inbound tourism. A non-departmental public body, funded by the Department for Culture, Media and Sport, it is responsible for promoting the whole of Great Britain worldwide, growing export earnings from inbound tourism and delivering jobs and growth across Britain by working in partnership with Government, industry and the National Boards.

VisitBritain plays a unique role promoting all parts of Britain around the world, supporting tourism growth and thereby economic growth. VisitBritain has been directed by Government to run a £100 million marketing programme, to inspire travellers to visit and explore Britain, across a four year period (2011/12-2014/15). This programme includes £50 million of partner funding (cash and in-kind)<sup>1</sup>. VisitBritain has a strong record of partnership working and locking in private sector funds to sell the destination.

Together these campaigns aim to attract 4.6 million additional inbound visitors, spending £2.3 billion across the UK, sustaining jobs and supporting economic growth, across a four-year period.

In 2013, VisitBritain announced an ambition for Britain to attract 40 million visitors a year by 2020 (an increase of 8 million on 2012). This would deliver £31.7 billion annual spend by overseas visitors (in real terms) and support an additional 200,000 additional jobs across the UK.<sup>2</sup> The Secretary of State for Culture, Media and Sport launched VisitBritain's strategy in April 2013.

### Summary

It is the view of VisitBritain that the ORR should fully take into account international visitors when conducting its review of the rail retail market. Almost three in ten of the 32.8 million international visitors to Britain in 2013 travelled outside of towns or cities on a train. Research commissioned by VisitBritain has shown that the specific needs of international visitors with regards to, for example, foreign language provision, are not currently being met. This is particularly concerning as of the top ten source markets for inbound travel to Britain, only three are Anglophone.

Rail transport is the preferred means of transport for international visitors when going between London and other destinations in Britain and therefore it can play a key role in ensuring that all parts of Britain see the benefits of tourism. Over the past decade there has been a 30% increase in the number of international visitors taking train journeys. However, despite the growth in print-at-home ticketing, it is still not possible to print all train tickets, including the BritRail Pass which is only available for international visitors. This contributes to the fact that only a small number of visitors from abroad book their train tickets prior to coming to Britain.

The fragmented nature of the British rail system can be confusing and serve as a disincentive for visitors travelling across the country. In our view there is evidence of a clear market failure in this area, which demands increased activity from the ORR. VisitBritain will continue to liaise with the ORR as the review moves into stage two.

### Full response

#### 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?

No. VisitBritain believes that it is important for the ORR to add the specific needs of visitors from overseas to its description of the retail market for tickets and passenger buying.

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<sup>1</sup> *Government Tourism Policy*, DCMS (March 2011)

<sup>2</sup> *Delivering a Golden Legacy, A strategy for inbound tourism to Britain from 2012 to 2020*, VisitBritain (April 2013)

Overseas visitors are frequent users of trains across Britain. VisitBritain added a question to the 2013 edition of the Office of National Statistics (ONS) International Passenger Survey (IPS) so as to gather an evidence base on the types of transport used by visitors during their time in Britain last year. The data collected shows that 28 per cent of visitors from overseas made at least one train journey to travel outside of towns and cities during their time in Britain<sup>3</sup>. As a proportion of the 32.8 million visits to Britain from overseas in 2013, this corresponds to 9.2 million visits including at least one train journey outside of towns or cities.

The consultation document (section 2.3) states that “rail travel represents a small portion of all trips made in Great Britain, with... three per cent of all leisure trips taken by rail”. It is clear from the 2013 IPS data that this proportion is far higher amongst leisure trips taken by overseas visitors by rail as over 30% of those on holiday visits in Britain take at least one train journey outside of towns or cities.

The IPS data also shows that in no part of Britain do fewer than 20% of international visitors travel on a train outside of a town or city (see table 1). Train travel by international visitors is truly, as a reflection of tourism, country-wide.

Table 1:

Region or Nation	% of international visitors to take a train journey (outside towns/cities)	Number of foreign visitors to take a train journey (outside town/city)
East Midlands	20%	153,331
East of England	30%	444,716
London	32%	4,639,530
North East	20%	57,422
North West	26%	441,219
Scotland	22%	401,125
South East	28%	961,728
South West	23%	318,853
Wales	22%	121,269
West Midlands	21%	279,185
Yorkshire	29%	224,231

Source: IPS 2013

VisitBritain has commissioned specific research (carried out by Social Research Associates) to look in detail at the barriers to overseas visitors' use of public transport, including the rail system<sup>4</sup>. The research focussed primarily on the supply side with an emphasis on leisure travel and was conducted through desk top research and interviews with stakeholders. At the core of the research were case studies on how overseas visitors might reach 20 tourist destinations from London or Manchester. Concluded earlier this year, the research found that the specific needs of overseas visitors are not being met in the rail network as set out in the following areas:

- There is a lack of foreign language provision on the websites of Train Operating Companies (TOCs) and of third party retailers for booking tickets or providing information to potential visitors from abroad. This is a particular worry as of the ten countries from which there are the highest number of visits to Britain, only three are Anglophone (Table 2). Furthermore, several of the countries which are seeing the highest growth in visits and have the highest potential for growth over the coming years are also not Anglophone (for example in 2013 the number of visitors from China increased by 9%). The lack of foreign language provision constitutes a barrier with regards to train travel in Britain for visitors from these markets.
- International visitors must adapt to a rail system that is profoundly different from that of their home country. Indeed, the fragmented nature of the rail transport system outside of London can be confusing and act as a disincentive for visitors to explore the full country.
- Combined packages of travel including accommodation and/or attraction tickets tend not to be readily available in Britain. Such packages are often available overseas and they can be very attractive to international visitors, particularly include discounts.

<sup>3</sup> VisitBritain Foresight – issue 128 *Types of Transport used while visiting Britain* (June 2014) -

[http://www.visitbritain.org/Images/Foresight%20-%20issue%20128\\_tcm29-41821.pdf](http://www.visitbritain.org/Images/Foresight%20-%20issue%20128_tcm29-41821.pdf)

<sup>4</sup> Social Research Associates *Barriers to overseas visitors' use of public transport* (2014) – report is not available publicly.

- There is frequently a sparse provision of luggage facilities with major stations lacking locker or left luggage facilities.

Table 2

Country of residence	Visits (000s)	Visits Rank	Nights (000s)	Nights Rank	Spend (£m)	Spend Rank
France	3,930	1	19,055	2	1,350	3
Germany	3,162	2	18,897	3	1,408	2
United States of America	2,791	3	22,034	1	2,548	1
Irish Republic	2,395	4	9,492	9	818	7
Netherlands	1,922	5	8,831	10	720	8
Spain	1,704	6	14,530	5	905	5
Italy	1,666	7	11,469	7	830	6
Poland	1,357	8	11,915	6	449	14
Belgium	1,188	9	3,714	17	386	19
Australia	1,070	10	14,963	4	1,194	4

Source: IPS 2013

More needs to be done to address these perceptions and experiences in order to make rail travel a more attractive option for international visitors.

VisitBritain feels that the consideration of tickets that are bought (section 2.4) should be enlarged to include also the BritRail pass scheme for overseas visitors. The BritRail passes are available for adults of all ages and for variable periods of time (for example 3 days or 1 month) according to the wishes of the visitor. VisitBritain sells the BritRail passes in our online shop and they have grown in popularity in recent years to reach 4,725 sales from January-September 2014.

Rail transport has a key role to play in encouraging visitors from abroad to visit all parts of Britain, as VisitBritain seeks to do. Currently, half of international visits to Britain are to London, although last year saw the value of inbound tourism, compared to 2012 figures, grow by 20% to Scotland in 2013 and by 15% to the regions of England outside the capital, in comparison to an increase of 12% in visitor spend in London. Research has shown that there is a reticence amongst visitors to travel onwards by car due to being "on the wrong side of the road". Indeed, 46% of respondents quoted nervousness about driving in the UK as a reason for not spending nights outside of London<sup>5</sup>. With regards to train travel, it was selected by around a third of respondents as the most popular choice of transport when going between London and elsewhere in Britain with a tolerance level of 2-3 hours travel time between destinations. The potential for train travel to contribute towards ensuring that all parts of Britain see even further increases in visits and the economic benefits of tourism is therefore very significant.

**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?**

VisitBritain feels that there are additional factors that should be considered.

<sup>5</sup> VisitBritain Foresight – issue 117 'London and Beyond' (July 2013) [http://www.visitbritain.org/Images/Foresight%20-%20issue%20117\\_tcm29-38190.pdf](http://www.visitbritain.org/Images/Foresight%20-%20issue%20117_tcm29-38190.pdf)

The consultation document correctly notes the development of print-at-home ticketing over the past decade (section 2.16). Print-at-home tickets can be particularly advantageous for overseas visitors as the physical delivery of tickets is often expensive, especially for those based in long-haul markets (for example China or India). This additional cost can dissuade international visitors from purchasing tickets prior to their visit to Britain. As 70% of those visiting Britain for a holiday book their trip on the internet there is an enormous potential for large numbers of tickets to be bought online<sup>6</sup>.

However, currently only a small minority of visitors from abroad purchase a train ticket prior to travelling to Britain. In the 2012 edition of the IPS, VisitBritain sponsored a question relating to products and services purchased by overseas visitors so as to gather a better understanding of ticket buying behaviour of international visitors<sup>7</sup>. The data shows that around a fifth of all visits involve purchasing a train ticket during the time in the UK whilst only 4% of visits to the UK involve a purchase of a train ticket being made prior to the time spent in Britain. VisitBritain has seen the number of BritRail passes sold in our online shop increase by 64% from 2011 to 2013, however as e-tickets are not available we do still have to include an additional delivery charge. Increasing the availability of print at home tickets, particularly for BritRail passes is likely to have a significant impact in the uptake of rail tickets by international visitors.

In the view of VisitBritain it is also necessary to take into account the increased number of visits overseas over the past decade and consequently the higher use of rail transport by visitors from abroad. Over eight million visits (an increase of 33%) were made to Britain in 2013 than was the case in 2003. Table 3 sets out the increase in visits, spend per visit and average nights per visit over the past decade.

Table 3:

<b>Headline Trends in Inbound Tourism to the UK (2003-2013)</b>					
<b>Year</b>	<b>Number of Visits (millions)</b>	<b>Spend (£ billions)</b>	<b>Average Spend per Visit</b>	<b>Average Nights per Visit</b>	<b>International Balance of Payments (£ billions)</b>
2003	24.715	£11.855	£475	8.2	-£16.695
2004	27.755	£13.047	£466	8.2	-£17.238
2005	29.971	£14.248	£471	8.3	-£17.906
2006	32.713	£16.002	£486	8.4	-£18.409
2007	32.778	£15.960	£487	7.7	-£19.053
2008	31.888	£16.323	£511	7.7	-£20.515
2009	29.889	£16.592	£554	7.7	-£15.102
2010	29.803	£16.899	£563	7.6	-£14.921
2011	30.798	£17.998	£584	7.6	-£13.703
2012	31.084	£18.640	£600	7.4	-£13.810
<b>2013</b>	<b>32.813</b>	<b>£21.012</b>	<b>£640</b>	<b>7.5</b>	<b>-£13.888</b>

The propensity of international visitors to take a train journey outside of towns or cities has increased slightly from 26% in 2003<sup>8</sup> to 28% in 2013. This means that the total number of international visitors taking at least one train journey outside of towns and cities has increased by over 30% (an increase of 2.8 million visits including at least one train journey) over the past decade. VisitBritain has set itself the objective of attracting 40 million visitors by 2020, should the percentage for train travel remain at 28%, this would mean that there would be 11.2 million visits including at least one train journey by 2020. The number of visits including at least one train journey outside of towns and cities would be even higher if an increase could be achieved in the percentage of international visits including a train journey.

<sup>6</sup> VisitBritain Foresight – issue 116 Trip and Accommodation booking methods (June 2013)

[http://www.visitbritain.org/Images/Foresight%20-%20issue%20116\\_tcm29-37815.pdf](http://www.visitbritain.org/Images/Foresight%20-%20issue%20116_tcm29-37815.pdf) N.B. this research was based on those

<sup>7</sup> VisitBritain Foresight – issue 115 Purchasing behaviour of inbound visitors' (May 2013) [http://www.visitbritain.org/Images/Foresight%20-%20issue%20115\\_tcm29-37546.pdf](http://www.visitbritain.org/Images/Foresight%20-%20issue%20115_tcm29-37546.pdf)

<sup>8</sup> VisitBritain *Type of Transport Used in the UK by Overseas Visitors* [http://www.visitbritain.org/Images/Transport2003\\_tcm29-14655.pdf](http://www.visitbritain.org/Images/Transport2003_tcm29-14655.pdf)

**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.**

As outlined above, overseas visitors to Britain have specific needs, which need to be fully taken into account in particular with regards to how they engage in the market. The research carried out by SRA found that the fragmented nature of the British rail system can have the impact of being confusing and thus serve as a disincentive for visitors travelling across the country. Overseas visitors tend to find our rail system to be difficult to understand, given its distinctive mix of private sector provision and Government responsibility for service levels and fares, regulatory issues and subsidies. In particular, pricing transparency can appear opaque. This can prevent international visitors from engaging with the market.

It is our belief that this is a clear instance of a market failure as the specific needs of international visitors are not being catered for. This underlines the importance of the ORR taking appropriate action to ensure the situation is addressed. It is through taking measures, such as providing translations, allowing simpler booking or making pricing clearer, that international visitors can be fully active, empowered and engaged in the rail market. This would, furthermore, encourage international visitors to travel across the whole of Britain, thus further allowing the benefits of tourism to be felt across the whole of Britain.

To this end, the ORR should look to practices abroad in which international visitors are catered for. For example, in Germany the national train operator *Deutsche Bahn* provides a comprehensive website ([www.bahn.com](http://www.bahn.com)) that allows users to book tickets for all rail journeys in Germany and for many journeys that start or terminate in other countries. The website offers a choice of nine languages other than German to make a booking. Furthermore, once an on-line ticket is booked an additional page offers a choice of hotels at the destination. A further case of best practice is provided by the Netherlands Railways (*Nederlandse Spoorwegen*) which allows consumers to buy packages at advantageous prices from railway booking offices. In addition, free booklets including simple directions on how to reach tourist attractions provided in English are given away at major airports in the Netherlands

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

VisitBritain welcomes the suggestion for Stage Two of the Review to focus on the impact of the current regulation and industry arrangements on current and future passengers. We would want to participate fully in the public consultations that are foreseen and would comment on relevant early recommendations. It is our belief that the specific needs of overseas visitors with regards to train travel, should be fully considered in all future stages of this review of the rail retail market.

**Further Information:**

We are grateful to have had the opportunity to respond to this call for evidence. We would be happy to provide additional briefing on any of the issues raised herein, or other matters which arise in the course of the inquiry. Please contact Julian Winkworth ([Julian.winkworth@visitbritain.org](mailto:Julian.winkworth@visitbritain.org)).