Response from Passenger Focus

Retail Market Review: Consultation on the potential impacts of regulation and industry arrangements and practices for ticket selling.

Q1. 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?

Perhaps one of the more notable changes over the past ten years has been the increase in the number of Advance Purchase fares offered. These are much more prevalent now and are available on many flows – not just, for instance, on 'intercity' journeys. This increased choice is coupled with, we believe, two key trends that may help to explain and underpin some of the changes seen in retailing:

- The price of tickets
  Data on ORR's own website show that unregulated Anytime fares for the long-distance sector have increased by considerably more than inflation between 2004 and 2014.

Long Distance Sector: average change in price of rail fares 2004 – 2014	
Ticket type	Real terms change in average price 2014 on 2004
Advance	20.8
Anytime	**31.3**
Off Peak	13.8
Season	18.5
Super Off Peak	14.2
Other	20.1
All tickets	*21.7*

Source: Index showing average change in price of rail fares 2004 – 2014. ORR Data Portal.

The scale of the increase means that for many long-distance passengers Advance Purchase becomes the only viable option for travelling in the peak. For example, the following are the current Anytime Single fares for:

London- Manchester	£160.50
London-Newcastle	£150.50
London-Plymouth	£129.50

This is not to discredit Advance Purchase products – there are many good-value fares available and when we have looked at levels of passenger

satisfaction by ticket types, they score well – but it may help to explain the increase in their use.

There has been talk in the past of a 'cliff-face' between the price of Advance Purchase fares and the regulated Off-Peak/Super Off-Peak fare. The above figures show that this is, to a large extent, a man-made cliff caused by the rapid increase of Anytime fares. We would be concerned, therefore, should the increasing popularity of Advance Purchase fares be used as an argument for de-regulation of off-peak fares regulation.

- Fulfilment
The provision of ticket-on-demand (ToD) which allows passengers to pick tickets up from a ticket-vending machine (TVM) has revolutionised the use of Advance Purchase fares. Prior to ToD a passenger had to rely on their local station selling such tickets or on them being delivered by post. Postal deliveries typically require a seven-day cut-off – meaning that you have to decide to travel and purchase the ticket seven days prior to travel. ToD has given passengers the means to purchase up to the night before travel. The more recent introduction of tickets on mobile phones and print at home tickets is something that will continue this trend.

Q2. 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?

Significant changes.
One area that could perhaps be mentioned in more detail is the introduction of Oyster contactless payment within London. This has led to a significant change in ticket retailing and in passenger behaviours.

Pace of change and meeting passengers' needs.
It is difficult to refer to passengers as a single, generic group – like in most walks of life there are different groups of people with different needs and expectations. Some passengers will not feel that change is happening quickly enough – the success of Oyster in London has led to questions from some as to why it is taking so long to get smart ticketing elsewhere – while others who are more comfortable with paper tickets sold from human beings are worried about being left behind.

There have undoubtedly been improvements in some aspects of ticketing – for example, new ticket types, tickets-on-demand, print-at-home etc have created greater choice of tickets as well as greater access to those tickets. These have been of benefit to many passengers, especially those who are more comfortable with technology.

However, the pace of change has not kept pace in one very important area – ensuring that passengers are fully aware of what they are buying. Many passengers continue to feel that the fares structure is complicated, confusing and illogical. The pace and level of developments has, to an extent, exacerbated this feeling. The fact that for many long-distance journeys two singles may or may not be cheaper than a return; a through ticket may or may not be cheaper than a combination of tickets; and an Anytime ticket is the most expensive option for some journeys, but it is the only ticket for others are just three examples of the very real difficulty passengers have in understanding how to get the best deal.

Indeed, recent developments have sometimes added new restrictions that need communicating. For example, a passenger may be able to get a print-at-home ticket but are they aware that assistance is only available online? Passengers failing to absorb this information and going to the station seeking help are unlikely to be successful, especially where the station is staffed by a train company that does not offer print-at-home tickets itself and so is unfamiliar with the offer. We have reports of passengers just being told they have not read the instructions, or have not used the system correctly; therefore, they must bear the burden of correcting their error. This is not helped if a passenger on the return leg of the journey encounters a problem as they are away from home and their printer.

ORR's own research in June 2012, "Fares and ticketing – information and complexity' highlighted the following:
- Nearly three quarters of all those interviewed were not confident what 'off-peak' times were.
- Over 50% of online respondents agreed that 'it is a bit of a lottery as to whether you find the best price for a rail journey or not'
- 45% said that the fare system is too complicated for them to understand
- 41% of online respondents said they had previously purchased tickets and later found they could have made the journey on cheaper tickets
- 70% of on-train interviewees were unaware that they could only travel on the specified train on an 'Advance' ticket
- Among those travelling on an 'Advance' ticket, 37% interviewed did not realise that if they missed their train, and travelled on a later train, they would normally have to buy a new ticket.

Passenger Focus's own research in 2010 identified specific concerns with TVMs[1]. We found that passengers have difficulty with the layout of information on the screen (e.g. certain screens containing too much information, jargon that passengers do not understand); with programming issues (e.g. screens timing out while passengers are still deliberating); and with the paucity of supporting information about the times each ticket is valid or routes that can be used. To use a current-generation TVM with confidence, a passenger must already know which ticket he or she wants.

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[1] Ticket Vending Machine Usability. Passenger Focus. 2010

Q3. Are there insights on passenger behaviour, market share and sales channels from other sectors that are worth considering?

No comments to make.

Q4. 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?

This seems to be a good description of current arrangements.

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?

No comments to make

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?

We consider the impartiality obligation to be very important. The mystery-shopping exercise carried out by ATOC (and quoted in paragraph 4.11 of the consultation) suggests that retailing is compliant with the regulations but ORR's own research[2] shows that many passengers are still unsure whether they have purchased the right ticket at the right price. In this instance perception tends to outweigh reality – people will believe and act on their own perception rather than the research. The challenge, then, must surely be to change these perceptions rather than 'give in' and get rid of the obligation.

Passenger Focus has recently published research looking at passengers' relationship with the rail industry[3]. This looked at the gap between passengers' perceptions of an individual journey compared to their overall perception of the railways as an industry. The results are telling. Passengers feel broadly positive

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[2] Fares and ticketing – information and complexity. ORR. 2012
[3] Passengers' relationship with the rail industry. Passenger Focus. 2014

towards the rail industry with rail being rated closer to supermarkets and airlines than more maligned industries such as banking and energy; and yet despite this, few would recommend rail as a way of travel. One of the causes of this was to do with trust – or to be more specific, a lack of trust.

One important element of this concerns 'trust in relationship'. Once a reliable service is established as a foundation, it is possible to create higher levels of trust through building closer relationships with customers. The factors that affect this are:

- being truthful
- acting with honesty and integrity
- building long-term relationships
- treating customers fairly
- communicating well with customers

The research identified confusion around ticketing options as one of the factors generating this lack of trust. Removing the impartiality obligation at ticket offices would only fuel greater uncertainty and distrust.

In fact we would like to see the "impartial retailing" requirement that applies to transactions at ticket offices extended to ticket machine and online retailing:

- Currently, passengers cannot easily establish whether the website they are using is impartial or steering them towards travelling with a particular train company. The current National Rail accredited logo is, unhelpfully, displayed by both partial and impartial retailers. Giving passengers the confidence that all online retailing sites abide by the same rules of impartiality would help – passengers should not have to hunt out the 'small print' to understand the basis on which a particular website operates.
- Likewise passengers buying from a TVM do not always know that other (potentially cheaper) products are available, either from other TOCs' TVMs or from other modes.

At the very least, both TVMs and ticket-retailing websites should be obliged to say explicitly if they sell all tickets and on an impartial basis, or restrict their range.

Moreover, impartiality and trust can both be enhanced by the way that systems display fares. For example, TVMs displaying the cheapest available tickets rather than those most frequently purchased. We were recently contacted by a passenger who commented that one company was displaying its competitor's fare for a journey more prominently on its TVMs than its own cheaper fare – the inference being that it made more money out of selling the higher price fare than its own. This is unlikely to be the case but it does highlight the sense of suspicion surrounding fares. We also continue to hear examples of TVMs presenting fares for rival open access operators on the second screen after all the other fares. Irrespective of their motivation, this again gives the perception that the TVM operator is not quite playing fairly.

Impartiality undoubtedly adds to industry costs. It has also been argued in the past that supermarket A does not have to tell you about the prices being charged by supermarket B. This is true but it ignores the fact that most people have a genuine choice as to which supermarket they use. Supermarkets have reacted to this competition by introducing 'price promises' that not only tell customers that other stores have a lower price for an item but even refund the difference - the aim being to generate trust and customer loyalty. The market for rail is not a particularly competitive one, there is limited head-to-head competition so a passenger cannot pick and choose which operator to use. Without this competitive pressure there is still a need for regulation. Removing those regulations covering impartiality could make it harder for a passenger to find the right ticket at the right price; something that would be viewed with suspicion, thus further damaging the relationship with passengers.

7. With respect to split ticketing, what are you 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?

Split ticketing creates a real challenge to the industry. It does, as the consultation states, give rise to further complexity and so adds to passenger confusion. However, by not informing passengers, the industry can leave the impression of an incoherent, perhaps even misleading fares system that results in the uninitiated paying a higher fare than they need to.

It is easy to present split ticketing as a legal loophole. However, there are many journeys where a change of trains is required anyway, especially when travelling through London. Equally there are instances where cheaper (typically Advance Purchase) tickets cannot be purchased as they simply do not exist. Our Fares and Ticket Study[4] in 2009 highlighted examples of both anomalies at that point in time.

In such instances passengers find it hard to comprehend that it is possible to travel from A to B for significantly less than those who innocently ask for a ticket between those points believing that they will be sold the cheapest option. One example of many where the unwary currently pay more than necessary is Aberystwyth to Leicester: the Anytime Single through fare is £61, yet an Anytime Single Aberystwyth to Birmingham ticket (£28.80) plus an Anytime Single Birmingham to Leicester ticket (£17) comes to £45.80.

In our response to DfT's fares and ticketing review[5] we recommended that on any 'walk-up' interavailable flow the through fare should not exceed the cost of buying

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[4] Page 19 - 'Fares and Ticket Study. Passenger Focus. 2009
[5] Passenger Focus response to the Government's rail fares and ticketing review. 2012

'walk-up' interavailable fares for individual legs of the journey. Addressing the problem identified in the example above by increasing the price of the individual legs of the journey would not be an acceptable solution.

We note that Transport Scotland has taken steps to remove some of the fare anomalies within Scotland[6]. In 2013 Transport Scotland and ScotRail removed more than 1,500 of the bigger inconsistencies. This has reduced split-ticketing by meaning that it will almost always be cheaper for a customer to buy one end-to-end ticket rather than two separate tickets for the same journey.

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?

The concept of the railway being a network rather than a collection of routes is well established amongst passengers *and* operators. Passengers want the ability to plan and make a journey from one region to another – they do not want the seamless journey to acquire any rough edges. The industry itself recognises that we have a national network – for example, timetables are compiled at a national level to ensure that services 'fit' and national railcards are honoured by all operators.

This was an issue recognised during the original debate on rail privatisation where the phrase 'network benefits' was coined to describe all the benefits accruing from having a single national provider – e.g. inter-availability of ticketing, national railcards or the ability to purchase a ticket at station A for use at Station Z.

The concept of a walk-up railway is still very important to passengers. Our 2009 report on fares showed that Great Britain benefited from some of the most frequent services in Europe. The benefits of this are lost if you are tied to a specific train. Turn-up-and-go frequencies do not align themselves well to airline-style book-ahead restrictions. It is odd that we have what amounts to a bus-service frequency on many long-distance routes in Britain (e.g. three trains per hour London to Birmingham and London to Manchester), but the price of taking advantage of there being "another one along in a minute" is very high.

Our research among employers[7] found that the high price of flexibility within the ticketing structure - for example to allow for a meeting that overruns by 30 minutes - was a problem for businesses. It is, however, not just business passengers who suffer – commuters also value the turn-up-and-go nature of season tickets. Would

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[6] http://www.transportscotland.gov.uk/news/cheaper-fares-across-275000-journeys

[7] Employers' business travel needs from rail. Passenger Focus. 2009

any move from the turn-up-and go principle require season ticket holders to nominate a particular train for the month or year in advance, or even to book on a day-by-day basis? Commuters are very unlikely to welcome either. And finally, many leisure journeys depend as much on the weather on the day as anything else. Not everyone is able, or wants, to plan their precise train journey weeks or days in advance.   One of the attractions of rail is the ability to 'turn up and go' – remove this and rail risks losing much of its value/utility.

We believe that a move towards single-leg pricing would be a positive step forward. On many journeys passengers can commit to a firm outward travel time but are less able to fix the time of the return journey. Properly structured single-leg pricing allows passengers to use a mix-and-match approach to journey planning. This also has the benefit of removing some of the anomalies caused by having return fares set at 10p or £1 more than the single fare).

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?

The proportion of tickets purchased through traditional station ticket offices is likely to continue falling and it is positive to offer choice to those happy to use a TVM. But the reality is that some passengers wish to buy their ticket from a fellow human being. This is not only a matter of personal preference: it is often for hard, practical reasons about being guided to the right ticket, the right route, getting the balance between speed and cost etc. There is also the fact that TVMs are not particularly user-friendly, requiring a degree of prior knowledge of the fares structure which some passengers do not possess – and TVMs do not sell all tickets in any case.

A ticket clerk will ask some basic questions (about destination, day and time of travel and, where appropriate, about the choice of route/operator) and then offer the passenger a narrowed-down range of options. In essence the ticket clerk navigates the passenger through the decision-making process. With TVMs on the other hand, passengers are left to work things out on their own.

The 'usability' of TVMs needs to improve, but so far little has been delivered to address the issues raised in our 2010 publication "Ticket Vending Machine Usability", for example introducing a screen layout developed in response to passengers' needs, which works for confident, regular users and for those unfamiliar with the ticketing structure, and which has been tested thoroughly with passengers before being rolled out.

For TVMs to be an acceptable alternative they must be able to sell all the tickets from that station; present information to passengers in a way that guides the unfamiliar to the best fare for their journey; and give passengers a means to speak to

an appropriately-trained human if they need assistance with their transaction. All TVMs should also offer the facility to collect tickets bought previously on the internet – Ticket on Departure (ToD). Not all TVMs, even though they look similar, are currently ToD-enabled, with the result that some passengers have to have tickets posted to them, meaning they must allow time for them to arrive and may have postage fees added.

The reality is that Ticket Vending Machines (TVMs) are not currently up to the task of replacing ticket clerks and, until they are, significant reductions in hours – let alone outright closures – should be considered very carefully.

As well as the failings of current TVMs being fully addressed, there is the issue of human presence on a station to provide reassurance to passengers; help deter anti-social behaviour; provide routine and disruption-related information (at some stations there is no means of making a public address announcement if no staff are present); and unlock and lock waiting rooms/toilets etc. at the beginning and end of the day. (The complete closure of a ticket office generally also means waiting rooms and toilets are closed permanently). In some instances lifts at stations also cannot be used without a staff presence.

There is a very real danger that staff are seen only as a cost without considering the value they are adding. There may be scope for efficiency savings - more multi-functional staff for instance – but the debate must not simply be about cost. A visible staff presence brings real benefits to passengers which any review of retailing must also take into account.

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?

Apart from the obvious concerns from passengers who may end up paying more to travel than they did before, there are a number of practical issues that must be addressed before even considering any relaxation on the current obligation:

- size of the fee charged – would limits apply?
- on what would the fee be levied – is it a fee according to the method of fulfilment (e.g. for collecting tickets from a TVM, the means of payment (e.g. charge for using a credit card) or both?
- will the fee apply to all modes of purchase? – in which case it would seem to be less about changing purchasing behaviours and more about raising revenue. If there is still to be a 'free' mode of purchase, which mode will it be and how do you avoid the fee having a disproportionate impact on some passengers? For example, if online becomes the free mode then what happens to people who do not have access to the internet; if TVMs then what

happens at stations with no TVM or one that does not sell the product you want?

We have taken questions on governance in one block.

In our original submission we passed on concerns expressed to us over the governance/limitations placed on third-party retailers by the industry. One issue was the principle of licences/restrictions on third parties being effectively controlled by their erstwhile competitors, the TOCs (via ATOC). The second concerned the way that certain products are excluded, especially season tickets. The latter is an area where competition between retailers could lead to innovation in products and customer service – e.g. in the form of direct-debit payment schemes, insurance (in case of loss), delay repay processing and such like. We welcome the announcement in the consultation that train operating companies are beginning a trial to open up the season- ticket market to third-party retailers to sell season tickets.

We think there are good grounds for having a form of centralised governance which can control/co-ordinate certain arrangements. For instance:
- managing common products. While we have national railcards it would make little sense to have different terms and conditions across each operator.
- controlling common terminology. One of the arguments behind fare simplification was to remove the plethora of names for similar fares and to standardise on common terms and conditions.

However, we can also see how such governance can sometimes lead to conservative tendencies. It took, for example, a long time for National Rail to accept Oyster Pay As You Go. Fears from some companies, but certainly not all, over revenue protection delayed the implementation of something that has proved very popular with passengers and looks to have generated additional income for operators.

16. What are your view 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.

It will be important that any assessment does not just get bogged down in the costs of retailing. It must also take into account the benefits to passengers. Some of these are more tangible than others – for instance, accuracy and impartiality of retailing can be measured through research/mystery shopping exercises. Others, however, are much more subjective, for example: the role of ticketing in building up consumer confidence and trust with the industry; and the value of ticket-office staff over and above their role in retailing. These are both areas that we have covered earlier in this submission.

Passenger Focus
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