Department for Transport

Rail Fares and Ticketing: Next Steps

October 2013

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Foreword

Our railways are a vital part of our nation's future. The Coalition Government is determined to build on the continued success of our railways and that is why we are providing over £16 billion over the next five years to support the network and make sure it can respond to increasing passenger demand, help economic growth and cut our carbon footprint.

But new track and trains are only part of the story for improving our railways. We remain committed to rolling out smart ticketing across the network. We want the whole experience of travelling by rail to be modern, seamless and easy, starting with buying a ticket to travel. We also recognise that the cost and complexity of train fares is naturally a key concern for passengers.

That is why we have carried out a review of rail fares and ticketing and considered a range of options to address the many issues raised by passengers and others. Today I am setting out our vision for a modern, customer-focused fares and ticketing system that will support our objectives of allowing even more people to travel by rail and ensure they have a better experience and which:

- supports a passenger-focused railway, meeting changing needs and travel patterns;

- promotes a vibrant future for our railways supporting economic growth and prosperity and helping to reduce the country's carbon footprint;

- enjoys the trust of passengers and the commitment of the rail industry; and

- maintains its current strengths whilst embracing sensible change in the interest of passengers and taxpayers who fund our railways.

We know that for many passengers it is the cost of some fares that remains the overriding concern. Responsible stewardship of the railways means bearing down on running costs and investing in a sustainable way and that is our priority. To help passengers, I can confirm that from January 2014 we will give rail passengers a better deal by capping the upper limit of any individual fare rise at 2% above the permitted average of inflation plus 1%, for all regulated fares. This will protect passengers from large fare increases which can have a significant impact on household budgets by taking 3% off the maximum increase for a regulated fare.

And while the above-inflation fare rises of recent years have been necessary to help fund our record investment in the network, it remains our firm ambition to cap fare rises at the level of inflation, just as soon as economic conditions allow and savings have been made to the cost of running our railways.

This rail fares and ticketing strategy sets out the other actions we will take to:

- give passengers a better, more modern and more flexible deal on fares;

- improve the current ticketing system while in parallel building the smart ticketing system of the future; and

- encourage innovation and efficiency from train companies for the benefit of the passengers and taxpayers alike.

It explains how we will blend the best of regulation with the best of market forces to deliver a fares and ticketing system that puts passengers first and our railways on a sustainable footing for the future.

I would also like to thank stakeholders for their many contributions to this review, notably those from the Rail Delivery Group, the Association of Train Operating Companies, Passenger Focus and London TravelWatch.

The Right Honourable Patrick McLoughlin MP
Secretary of State for Transport

Executive Summary

1.   The Coalition Government is committed to its vision of a high performing rail network that keeps cities moving and communities connected at an acceptable cost to the taxpayer and the passenger

2.   To support this vision, we have pledged over £16 billion of support for the rail industry over the period to 2019 in order to improve the capacity and quality of a network which is seeing a vast growth in demand.

3.   Our goal for rail fares and ticketing is to allow more passengers to travel and to have a better experience of rail, at the same time bringing down industry costs and costs to the taxpayer.

4.   Following a consultation on rail fares and ticketing to inform this review we now set out our plans to secure passengers the best deals on fares, to improve current ticketing practices and to ensure that we build the smart ticketing system for the future for the benefit of passengers, whilst ensuring that the impact to the taxpayer is kept at a minimum

A better deal on fares

5.   We know that rail fares and the complexity of the fares structure are a concern to rail passengers.

6.   To reduce the impact of fares increases on passengers and improve the overall quality of the fares packages on offer to them, we will be:

- Reducing the current fares flex from 5% to 2%, thereby limiting the extent of the annual fares increases and putting money back into the hands of passengers.

- Trialling a scheme to regulate longer distance off peak tickets on a single leg basis to remove the confusing scenario where some single off-peak tickets cost nearly as much as return tickets, and to also to offer passengers increased choice and flexibility.

- Trialling more flexible tickets that can provide a more attractive offer for commuters travelling fewer than five days a week, or outside peak hours, that can better match more modern working patterns and potentially help to better manage capacity on the railways.

7.   In doing the above, we are simplifying the fares package available to passengers to enable cheaper and more flexible journey choices. We are looking to cater to the variety and diversity of modern travel patterns,

we are reducing the impacts of fares rises on passengers and are setting the groundwork for our future ambitions.

Improving current ticketing

8.	Ticketing is an integral part of a passenger's interaction with the rail network. The Coalition Government is committed to ensuring that passengers have access to the right information that will help them make the best decisions regarding which tickets best suit their needs and making sure they have access to the most relevant and up to date information regarding their journey.

9.	Technological advances and a better understanding of rail passengers' needs mean that we can now offer them an improved and more modern ticketing service akin to those that they are becoming accustomed to in other industries whilst, at the same time, making the railways more efficient and saving on current costs of operating the network.

10.	We are keen to see more investment and innovation from train operating companies to reflect a shift towards more efficient forms of ticketing such as better "self-service" ticket machines, websites and mobile applications. However, we are clear that any such changes being proposed by operators must also have appropriate safeguards so that they are in the overall best interest of passengers.

11.	We will be working closely with the Office of Rail Regulation, train operators and other stakeholders to bring about changes that will increase transparency, remove confusion and help passengers feel confident about their ticket purchases and to fully understand the terms of their use.

12.	The actions arising from this review that will bring about such changes are:

- A **Code of Practice on ticketing information** that will ensure passengers can access the information they need to confidently select the most appropriate ticket for their journey;
- An improved approach to the way we manage approvals for **changes to ticket offices** with incentives for train companies to modernise ticketing facilities, while providing appropriate safeguards for passengers – including being able to get help and advice from a member of staff, where they can do so now;
- A stronger and more focused approach to **quality and customer service in franchises** including ticket retail;
- A **market review** by the Office of Rail Regulation to consider whether the current market for selling train tickets is operating as efficiently as possible;
- **Publication of annual "mystery shopper" surveys** of all retail channels to improve transparency for passengers;
- Supporting further steps by the **rail industry** to improve ticketing.

13. The measures above will significantly improve the ticketing experience, ensuring that the needs of rail passengers of all types continue to be catered for. It will also enable the network to operate more efficiently driving savings for train operators and taxpayers.

Building the smart ticketing system for the future

14. The Government wants to ensure that the benefits of new ticketing options now being made available through advances in technology are exploited and passed on to passengers at the same time as maximising opportunities to reduce costs and increase the productivity and efficiency of the railway. The proper application of technological advances can not only reduce costs to passengers and taxpayers but can also drive an improvement to the overall quality of passengers' experience at all points of interaction between them and the rail system; right from when they buy their tickets through to completion of their journeys.

15. Smart ticketing presents a particular opportunity to provide passengers with faster, simpler and more flexible ticketing systems - we want to use smart ticketing technologies to introduce new ticket types currently unavailable due to limitations in current magnetic stripe systems. This will provide passengers with tickets better suited to their travelling patterns and save them money.

16. We have already seen the benefits of using smart ticketing in London through TfL's Oyster system and have plans to roll out smart ticketing across the rail network. Our plans can be divided into three broad phases:

       1. We will deliver our South East Flexible Ticketing (SEFT) Programme, outputs from which will help inform our future smart ticketing strategy.
       2. Subject to the success of SEFT and future funding, we will run further such targeted delivery programmes, likely to be based on cities outside London with a significant rail commuter base, from 2015-16;
       3. To complete the smart enablement of the entire network

     Finally we will complete our plans with the withdrawal of magnetic tickets within the next 10-15 years and start to see the full potential and efficiencies possible from using smart technologies realised.

17. Throughout our programme of delivery we will be facilitating co-operation between Government, train operators, local authorities, and other stakeholders to make sure that we deliver a well integrated system that is consistent across the network without hampering innovation and ensuring the system is sustainable and sensitive to future technological developments.

1. Introduction

This chapter sets out:

- how this strategy fits into Government's wider strategy for rail;
- what Government is seeking to achieve and why;
- the key principles underpinning it;
- the structure of this document.

Government's wider strategy for Rail

1.2   This Government's vision is for a rail network that keeps cities moving and communities connected at an acceptable cost to the taxpayer, and ensures passengers benefit from a high-performing, affordable railway.

1.3   More passengers are now using our railways than at any time since the 1920s, on a network that is half the size. Passenger journeys have doubled over the last twenty years [1] and demand is forecast to grow by a further 16% between 2013/2014 and 2018/2019[2]. In response to this success, Government seeks to accommodate an increase in rail travel where practical and affordable, by providing for extra capacity, and by adopting new technologies and more efficient operating practices.

1.4   To support this vision we are providing an unprecedented £16 billion to support the network and equip it to respond to increasing passenger demand over the next five years, including funding major improvements to reduce overcrowding[3]. On top of this, we are also committed to investing in the High Speed 2 rail network to bring the UK's railway infrastructure dramatically into the 21st century, releasing space on crowded lines and bringing the whole country closer together.

1.5   But this investment – and the day to day operation and maintenance of the network – comes at a considerable financial cost. In 2011/12 in England passengers funded the cost of running our railways to the tune

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[1] Passenger Journey Numbers are available
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49871/rai0101.xls
[2] Statement of Funds Available and High Level Output Specification (2012) available at
https://www.gov.uk/government/policies/expanding-and-improving-the-rail-network
[3] High Level Output Specification (2012) available at
https://www.gov.uk/government/policies/expanding-and-improving-the-rail-network

of £6.7 billion through fares, while taxpayers contributed £3 billion (other revenue sources e.g. station retail accounting for £1.2 billion)[4].

1.6 As the independent Rail Value for Money Report (2011)[5] showed, both passengers and taxpayers have been paying over the odds for a railway that costs too much to run. While significant efficiencies have been made, our priority remains to further reduce underlying costs, so we can limit future fare rises for the benefit of passengers but without simply transferring the cost to taxpayers.

1.7 We have already set out our proposals for ensuring that the GB rail industry performs well against the most efficient international comparators[6]. Fares and ticketing must also play its part in putting our railways on a sustainable footing for the future.

1.8 However, in recent years wider cost of living pressures have continued to increase, and with it the public concern about the level of rail fares. These pressures on hard-working families and rail passengers and the continuing concern about fares have also informed our work, not least through the responses we received to our spring 2012 consultation, which set out our initial thoughts on potential areas for reform[7].

What the review has sought to achieve and why

1.9 Our aim has been to identify improvements to our fares and ticketing system that will encourage more passengers to travel, particularly at less busy times, and which can reduce industry unit costs for the future.

1.10 A more efficient railway – that makes the most of expensive track and trains and minimises the cost of selling tickets for example – can deliver more benefits for passengers overall and allow rail to grow while minimising its call on the public purse. These efficiencies must be secured if we are to curb fare rises in the longer term.

1.11 In addition, the rules on fares and ticketing have remained largely unchanged since privatisation. They have not reflected advances in technology, adapted to meet the changing needs of the ever increasing number of passengers using our railways, or evolved to cater to the variety and flexibility of modern travel patterns.

1.12 The challenge for Government is to keep fares affordable whilst generating the income we need to invest in our railway and minimise the call on taxpayers, many of whom use the railways infrequently or not at

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[4] GB rail industry financial information 2011-12 available at http://www.rail-reg.gov.uk/upload/pdf/gb-financials-2012.pdf
[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/4204/realising-the-potential-of-gb-rail.pdf
[6] *Reforming Our Railways: Putting the Customer First* (2012) available at http://www.official-documents.gov.uk/document/cm83/8313/8313.pdf
[7] *Rail Fares and Ticketing Review: Initial Consultation* (2012) available at https://www.gov.uk/government/consultations/rail-fares-and-ticketing-review

all. For example, peak capacity is expensive to provide and where possible we want to reward those passengers who are able to travel outside peak times. We believe this strategy strikes the right balance between supporting passengers and protecting taxpayers, and that it will support the continued success and growth of our railways for many years to come.

The key principles underpinning the review

1.13 The relative contribution of passengers and taxpayers to funding our railways has shifted towards passengers in recent years. Both parties must contribute, but Government has no fixed 'target' ratio. We were clear from the outset that this review was **not about squeezing more revenue out of regulated fares** but about the range of regulated fares and their comparative impact on different groups of passengers; and that any changes would need to be balanced and fair.

1.14 We were also clear that this review was **not about abolishing fares and ticketing regulation** which, recognising the wider economic and social benefits of rail travel provides vital protection for passengers. Regulation protects passengers from possible market abuse and ensures rail travel remains affordable; it ensures that the rail network continues to operate as an integrated whole despite the number of different companies running trains on the network. Instead, our review sought to make the regulation more efficient and more relevant to the way we work and travel today.

1.15 Overall we believe the current approach has served passengers well since privatisation. In a recent European Commission report looking at how the railways in Europe have improved since the 1990s measured against 14 different criteria, Britain came top on four criteria and top overall with Germany, France and Italy in 7th, 10th and 23rd place respectively[8]. Other European networks are following our lead with increased use of book-ahead Advance fares and a wider and more sophisticated range of fare options to suit different needs – one of the factors behind the recent growth in passenger numbers in Britain[9].

1.16 For this reason we also ruled out returning to a purely distance-based fares system of the sort British Rail abolished long ago: we support the ability of train operators to set fares commercially (based on market conditions) within an appropriate regulatory framework set by Government.

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[8] *Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail*, European Commission (2013), at http://www.networkrail.co.uk/news/2013/apr/European-rail-study-report/

[9] Comparison of International Rail Fares and Ticketing Report for ATOC and Passenger Focus - February 2013, Ch 4, at http://www.passengerfocus.org.uk/research/publications/comparison-of-international-rail-fares-and-ticketing-report-for-atoc-and-passenger-focus-february-2013

1.17 **We are reluctant to simplify fares structures where this is likely to disadvantage the passenger, for example through a reduction in the number of ticket options on offer.** Allowing passengers to choose between a range of fares based on price, flexibility and time does, we believe, remain the best approach for delivering overall value. **Instead we want passengers to have better information about their ticket options**, so they can confidently select the best ticket for their journey, and understand its terms and conditions. This doesn't mean swamping passengers with more information – just ensuring that the information they do get is of better quality, and better targeted to their needs.

1.18 However **ticketing has not kept pace with technology and the advances achieved in other retail sectors** and that needs to change. We want passengers to enjoy the same level of service and the same degree of flexibility when buying rail tickets that they now take for granted in other areas of their life. And we want to reduce the cost of selling tickets for both passengers and the public purse as an increasing proportion of passengers switch to buying their tickets through "self-service" channels and ticket office sales fall.

1.19 However, we were also clear from the outset that before approving any changes to ticket offices we would need to be confident that passengers would continue to enjoy ready access to ticket buying opportunities, and we are putting safeguards in place to ensure passengers continue to receive high levels of service.

1.20 Finally, we believe that smart ticketing similar to London's Oystercard has the potential to replace paper ticketing across much of the national rail network and this document also sets out our strategy for making this happen.

The structure of this report

1.21 Three main chapters set out our strategy in relation to giving passengers a better, more modern and more flexible deal on fares, improving the current ticketing system, and building the smart ticketing system of the future. In each chapter we set out the current issues, the changes we will make, our longer-term vision, and how we will deliver it.

1.22 Annex 1 recaps the review's terms of reference and Annex 2 summarises the key themes from the 1,288 responses to our 2012 consultation.

Further information about fares and ticketing

1.23 A summary explanation of how fares and ticketing regulation works can be found at Annex A of our 2012 consultation document available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/2703/main-document.pdf. General information on the range of fares and tickets on offer for travel on national rail can be found on the

National Rail Enquiries website at
http://www.nationalrail.co.uk/times_fares/ticket_types.aspx.

2. A better deal on fares

Summary

The Coalition Government is aware that rail fares are a major concern for rail passengers. Although the availability of a fare "flex"[10] is recognised as an important tool for train companies to manage fares, it can also lead to severe annual increases to regulated fares with considerable financial impacts for those passengers affected by them.

The complexity around the different types of fares available for purchase can also sometimes be confusing for some passengers. Having a wide variety of fares options provides passengers with an opportunity to find the best deals, but we want to simplify this where possible.

It is our aim to reduce the impact of fares increases on passengers and improve the overall quality of the fares packages on offer to them. We plan on doing this by:

- Reducing the current fares flex from 5% to 2%, thereby limiting the extent of the annual fares increases.

- Trialling a scheme to regulate longer-distance off-peak tickets on a single leg basis to remove the situation where single off-peak tickets cost nearly as much as return tickets.

- Trialling more flexible tickets that are more suited to the needs of passengers with modern working patterns. For instance, commuters who travel fewer than five days a week or outside the peak hours can be provided with a more attractive ticketing offer that saves them money.

These measures aim to improve and simplify the fares package available to passengers, allowing them to make cheaper and better informed ticket purchases.

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[10] For an explanation of "flex" please see "How fare rises are calculated" on page 16

Introduction

2.1   45% of all surface rail journeys are for commuting[11]. Getting people to and from work is where the rail network comes into its own as an efficient form of transport, especially in and around our major cities where commuting by car is either no longer a realistic option or becoming an increasingly unattractive one.

2.2   Our commuter rail network allows employers to benefit from a wider pool of labour, creating clusters of highly productive workers who are crucial to the economic wellbeing of the country as a whole. That is why it is a critical piece of national infrastructure and why Government regulates commuter fares to ensure they remain affordable to as many people as possible.

2.3   The number of people commuting by rail has continued to grow strongly in recent years, despite the economic downturn. But rail fares can have a major impact on family budgets.

2.4   In addition, 182 million longer-distance journeys[12] (defined here as trips over 50 miles) are made on our rail network last year, supporting[13]:

- economic growth and prosperity by joining cities and places together for business (21% of trips);

- social and personal wellbeing by enabling people to make leisure trips and visit family and friends by public transport right around the country (57% of trips);

- a rise in recent years in the number of people commuting longer distances by rail (22% of trips).

2.5   Passenger numbers on longer-distance routes are also growing, competition has increased the availability of attractive ticket offers, and, aided by innovation in online retail and recognition of rising passenger expectations, train companies are doing more to tailor their fares and ticketing services to passenger needs.

2.6   Nonetheless price remains a key concern for longer-distance passengers, just as it does for commuters. Longer-distance passengers are also concerned about the perceived complexity of the fares structure, and they also want the ability to buy a ticket for travel on the day to be retained.

2.7   Crowding is not just an issue for rush hour commuters – it can also be a problem on some longer-distance routes at some times of the day and week – including at weekends.

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[11] 2012 analysis of the National Travel Survey
[12] Analysis of Ticket Sales data for the year 2012-13
[13] NTS analysis using the years 2008 to 2012

2.8   This chapter sets out the steps we will take to reform the fares system for commuter, longer-distance and all fares. It also explains why we do not plan to take forward some of the other proposals we consulted on last year.

How are fares rises calculated?

- Under fares regulation, Government sets a broad framework for fares but each train operator is responsible for actually setting the fares on its routes.

- Under their franchise agreements, each train operator may increase the total value of its regulated fares by 1% in real terms each year[14] (i.e. RPI +1%)

- Train operators may increase some fares by up to 5% above this[15] as long as other fares increase less, are frozen or even reduced, so that each operator's regulated fares increase by on average no more than 1% in real terms.

- This 5% is known as the fares "flex".

- Where the maximum permitted increase in fare allowed by the flex is less than 10p, a rise of 10p is allowed

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Ending extreme fare rises

2.9   One of the concerns highlighted to us is that with RPI at its current levels of over 3%, the "flex" has resulted in a few regulated individual fare rises of over 9% in recent years.

2.10   Fares flexibility is an important tool for train operators to manage demand, respond to local changes in passenger numbers and address anomalies in the fares structure. However, we recognise that for those passengers experiencing the maximum permitted fare rise it is little consolation to be told that other fares have increased less or have even gone down. As a result we have decided that, starting in January 2014, we will reduce the fares flex from its current 5% to 2%[16]. **This means that the Government will give rail passengers a better deal by capping the upper limit of any individual fare rise at 2% above the permitted average (of inflation plus 1%), for all regulated fares.**

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[14] 3% in West Yorkshire to reflect the cost of providing additional carriages in recent years
[15] 2% on Southern in line with its current franchise agreement
[16] Retaining the minimum permitted 10p rise noted above

2.11 This measure will minimise the impact of annual fare rises on passengers and household budgets and put money back into the pockets of hard-working families and commuters, many of whom will in recent years have experienced above-inflation fare rises at the same time as a real-terms reduction in their take-home pay.

2.12 While it is for train operators to decide each year's fares within the constraints of regulation, this change will restrict their ability to apply 'extreme' rises to individual regulated fares.

2.13 This will also relieve pressure on longer-distance passengers. But it is not just passengers on regulated fares who can expect to benefit.

2.14 Fares on cross-border services into Scotland and Wales as well as some other fares set by Arriva Trains Wales and regulated by the Secretary of State will be affected by the fares changes in this review and we have consulted the Scottish and Welsh Governments on these changes. Fares regulated by the Scottish and Welsh Governments will not be affected, as well as those on Merseyrail and London Overground networks.

Fares rises from January 2014

Without reducing the flex some passengers could have faced an individual fares rise of:

3.1% (July 2013 RPI) + 1% + 5%(flex) = 9.1%

Now the maximum rise any passenger will face is 6.1% (RPI +1% + 2%) while many will see lower rises as operators balance their fares baskets overall at 4.1%, i.e. RPI+1%

2.15 Reducing the flex is a simple but important step, which we have scheduled for January 2014 so that passengers can benefit from this change starting from the next annual fares change date. Train operators will be able to use the remaining 2% flex to address fares anomalies and to attract passengers to routes with spare capacity. However in order to ensure that regulation continues to work effectively, the Department will update the journey weights in the fares baskets regularly, assisted by a new industry IT system (see para 3.94) that makes this process more efficient.

A better deal for commuters

2.16 We believe that we can give today's commuters an improved ticketing and fares offer to better reflect modern working practices and the way passengers choose to use the railway. For example part-time workers and those who sometimes work from home have complained that they

pay the full price for season tickets even though they do not necessarily get the full benefit.

2.17 A form of flexible ticketing provides a way to accomplish this and also to better manage demand on the railways by encouraging passengers to take less busy services.

2.18 There are many different ways to make ticketing more flexible. It could mean receiving a discount on season tickets for travelling three days rather than five, or for travelling earlier or later, avoiding the busiest trains, or there could even be an incentive for not travelling on certain days of the week.

2.19 We want to identify the best way forward to deliver the benefits of flexible ticketing for passengers **so the Coalition Government will set up a trial of a flexible ticketing** to understand the most appropriate ways to achieve this.

2.20 Season tickets already offer a significant discount on the cost of buying daily tickets. A weekly season costs less than five Anytime day returns, in some cases significantly less. A monthly season offers a full month's worth of unlimited travel for less than the cost of four weekly seasons. An annual season offers the largest discount at 52 weeks of unlimited travel for the price of 40.

2.21 Flexible tickets can potentially provide even more value for passengers. In our consultation document we highlighted that season tickets were designed long ago to meet the needs of commuters working 9am to 5pm Monday to Friday, but for many people today that is no longer the reality. We would like to see a more attractive offer for commuters travelling fewer than five days a week. This would address the issue that people who commute fewer than 5 days a week, even if using a discounted season ticket, could be paying more per journey than other commuters.

2.22 It would also provide a financial incentive for more commuters to take up the option of working at home for some of the week, where they would like to have a more flexible working pattern and their employer offers this. Even among "traditional" Monday to Friday commuters, there is – despite the discounts already offered by season tickets – sometimes a perception that not travelling some days is a "waste" of a season ticket.

2.23 The trial will test the approach to flexible ticketing and will give us a better understanding of passengers' behaviour and preferences, the types of ticket products which work best, as well as their cost to inform any future wider decisions.

2.24 Our analysis and discussions with industry suggest that the only cost-free way to widely offer part-time discounts would be to increase the cost of the "full-time" or unlimited season ticket.

2.25 A discounted part-time season ticket would generate some new journeys and income, but not enough to offset the cost of the discount overall. **In the current climate we are not prepared to impose additional fare**

rises on the many "full-time" commuters. As a consequence of this we have also had to rule out any widespread policy of government-funded discounts for part-time travel on cost grounds at this stage. But a trial will provide valuable evidence to inform future decisions.

2.26   As well as offering passengers improved travel options, flexible ticketing can help to tackle the expensive issue of providing peak time capacity by potentially spreading peak time demand.

2.27   London and other cities rely on rail to bring commuters into work each day and in general, the busiest times on the railway are the morning and evening rush hours – over a quarter of each day's rail journeys into London arrive between 08:00 and 09:00, for example[17].

2.28   Keeping people moving is vital to keeping our economy on track and this Government is making record levels of investment in expanding and improving our railways since the Victorian era. But we need to ensure each pound of investment goes as far as possible, and our rush hour peaks can, perversely, have the opposite effect.

2.29   For example, C2C, which runs commuter services from Essex into London Fenchurch Street, has a fleet of 74 trains, which are used to the max during rush hours. Outside rush hours, however, only 20 are in service. Allowing for maintenance that is up to 50 available trains that passengers and taxpayers have paid for but which are being used for only a fraction of the day.

2.30   One way of using capacity more cost-effectively and easing pressure on the system *without reducing passenger numbers overall*, is to "smooth" or spread passenger demand more evenly over the rush hour period – which can last up to 3 or 4 hours – or indeed over the whole day. This would also reduce crowding, making journeys more comfortable.

2.31   Smoothing passenger demand would extend the amount of time the existing infrastructure can meet passenger demand before new investment is required – ensuring we invest in the right place at the right time, focusing limited resources on areas of greatest need and on step-change improvements of national significance such as Crossrail or HS2.

2.32   As part of our review we have considered options for smoothing demand by encouraging some commuters to change the time they travel. At the most basic level, a discount for travel in the slightly quieter periods at either end of the rush hour, called the "shoulder peak", could encourage some commuters to change the time they travel in return for a cheaper fare and more comfortable journey.

2.33   However, our current analysis shows that the proportion of passengers likely to change their time of travel is relatively low. This may be because

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[17] 2012 passenger count data available at
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224941/rail-passengers-crowding-2012.pdf

they are unable to change – due to job or caring commitments – or simply because they do not consider the financial incentive sufficient to warrant changing their routine. The trial that we are committing to will assist us in providing practical evidence of the extent of passenger behavioural change.

2.34   In addition, whereas in other circumstances a fares cut can be expected to increase passenger numbers overall, this has limited applicability to commuters whose main driver for rail travel is not the cost of the travel, but whether or not they have a job to commute to. As a result, the overall increase in passenger numbers from a shoulder peak discount is likely to be very small, and not sufficient to generate the new income needed to offset the cost of the discount.

2.35   If we are to avoid increasing the call on the public purse, other fares would need to increase to cover this cost. Allowing train operators to charge a premium in the "super peak" would be one way to do this, and would boost efficient capacity utilisation, which in the medium to longer term could help curb overall fare rises.

2.36   In the short-term however this would result in additional fare rises for some passengers and in the current climate with other pressures on household budgets that is not something we can accept. **We have decided against super peak pricing** as we believe it simply would not be right to impose a further burden on hard-pressed commuters at this time.

2.37   We have listened to passengers, we have looked at the evidence, and we believe this is the right course to take. Given the fiscal situation, a consequence of ruling out super peak pricing is that any current form of Government-funded shoulder peak discount also remains unaffordable for the time being but the trial will allow us to measure how passengers respond in practice, providing evidence to inform our assessment of the affordability and sustainability of offering such tickets network-wide.

Why cutting fares increases pressure on the public purse

- Franchises are awarded against a Model assuming a fares policy over the life of the franchise.

- If Government changes the way that fares are regulated during the franchise, the level of income the train operator can expect to collect will (in most cases) also change.

- Most franchise agreements provide a process by which Government adjusts any franchise compensation in line with changes to the Model (thus providing compensation for differences between the income assumed at the start of the franchise and the revised income forecasts attributed to the changes in fares regulation).

- If Government decides to restrict the rate of fare increases, the premium Government receives from train companies is likely to fall or the amount of subsidy increase.

- This mechanism is necessary to reassure bidders they would be compensated for any change in Government policy. Conversely it also ensures that any savings as a result of fares policy changes are recouped for the taxpayer.

2.38   In the longer term however the Government remains committed to addressing this to ensure more equitable treatment of full and part time commuters. Over time, we envisage moving towards a fairer and more efficient system where the fares commuters pay reflects more closely the number and type of journeys they actually make.

2.39   Smart ticketing technology is the platform that can allow train companies to offer a more tailored range of tickets and a more sophisticated approach to pricing as described above. As well as the speed and convenience benefits to passengers, smart ticketing can facilitate more sophisticated ticket products without adding complexity or slowing passengers down at gatelines.

2.40   Smart ticketing has been a huge success on the Transport for London network and we have already started introducing it on the national rail network. For more on how smart ticketing will benefit passengers and how we plan to roll it out across the rail network, see Chapter 4.

2.41   Making this shift will take time, but the Government is starting the process now. We will use our South East Flexible Ticketing (SEFT) programme to pilot the new flexible ticket types that reward shoulder-peak and part-time travel.

2.42   Our goal is a more transparent system that is better suited to modern patterns of work and travel and allows more passengers to get a better deal, but it must also be financially sustainable.

2.43 We want to trial these new ticket types on a busy commuter route into London. Once the roll-out of smart infrastructure in our South East Flexible Ticketing programme is underway, we intend to run a competition next year to select a train operator and route to undertake the trial.

2.44 Our ambitions for smart ticketing rollout across the country are set out in Chapter 4. Without that infrastructure yet widely in place, it is more difficult to offer passengers a truly flexible ticket within the constraints of current paper tickets.

2.45 Nevertheless a number of train operators have tried to address passengers' desire for flexibility by introducing carnet tickets, where travellers purchase multiple single tickets in one go at a discounted fee. Passengers can then use each ticket within a specified number of days as they see fit without having to pay for instances where they do not travel. This has proven to be an attractive offer to some passengers.

2.46 We welcome train operators offering these products and innovating in this area as using carnet tickets can be a more flexible and cost effective way to buy tickets for some passengers who have variable travel patterns.

Chiltern Railways' Carnets – 12 tickets for the price of 10

Chiltern Railways' Carnet helps regular travellers save time and money with 12 Anytime Return tickets to London available for the price of 10 with its Carnet ticket. Passengers simply fill in the date of travel on the ticket before boarding their train. The Carnets are valid for 6 months and can be purchased from Marylebone Station Ticket Office or Excess Fares Window. For more information, see http://www.chilternrailways.co.uk/tickets-and-times/carnet

Virgin Trains' Carnet – 10 tickets for the price of 9

Virgin Trains offers travellers a "Take 10" offer where passengers get 10 single tickets for the price of 9. The carnets are available in both First and Standard class and can be used on journeys to/from London Euston, including Manchester, Birmingham, Liverpool, Crewe, Preston and Stoke-on-Trent

These are two examples of the approach to carnets and a number of other operators also offer similar tickets.

2.47 The Coalition Government has ruled out making further increases to fares at the very busiest times and we are investing record amounts in improvements to the network, but where it is simply not possible to increase services, encouraging passengers to change their travel patterns is the best way to tackle a crowded network.

2.48   The trial of flexible ticketing we have announced is a key step on the road to achieving this on a wide scale, but there are also short term smaller measures that can have a positive effect on spreading demand and reducing the cost of providing peak capacity and ultimately reducing costs for passengers and taxpayers.

2.49   Travel patterns in London during the 2012 Olympic and Paralympic Games demonstrated the significant impact that more people working flexibly (working remotely or different hours) can have on usage and crowding of the transport network - 28% of commuters changed their travelling patterns into work, and 22% on the way home[18]. While it may not be possible to replicate the changes in travel patterns of the Games on a permanent basis, it is clear that there is huge potential for making better use of scarce and costly capacity in future. We are working with Transport for London to make sure we capture the lessons learnt from London 2012.

Crowding information Californian-style

BART – the San Francisco Bay Area Rapid Transit system – launched its new train crowding feature earlier this year. Visitors to the BART website and mobile site can now get a snapshot of estimated crowding levels on trains when they plan a trip. The BART "QuickPlanner" shows users an icon with three heads, two heads or one head – indicating "heavy crowding expected," "moderate crowding expected," or "light crowding expected" respectively.

The new feature is a response in part to record ridership levels on BART, giving riders another tool to find a train with more space, if they have flexibility to make their trip a little earlier or later.[19]

2.50   On this basis, the government has also told all rail companies to do more to tell their passengers how crowded their train services really are so they can make an informed choice over when they travel.

2.51   Publication of train-by-train crowding information is an important tool for allowing passengers to make informed choices about which trains to travel on, and convincing those passengers who can change their travel patterns to do so.

2.52   For example, a commuter who regularly travels on the 8.02 may not realise that the 7.42 is less crowded, but if they had easy access to this crowding information they might consider it a more attractive option to travel slightly earlier or later, for a more comfortable journey and a less stressful start to the day.

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[18] http://www.tfl.gov.uk/assets/downloads/corporate/travel-in-london-report-5.pdf
[19] http://www.bart.gov/news/articles/2013/news20130423.aspx

2.53 Ministers have therefore written to every train operator urging them to publish train by train information, and highlighting the best practice approach of a simple traffic light system, to let passengers know which services are the most crowded.

2.54 This approach has been already been adopted by London Midland and we are keen for this best practice approach to be rolled out across the industry at stations and elsewhere as soon as possible.

London Midland 'traffic light system'

London Midland have added simple charts on their website showing passengers which of their commuter trains are more likely to have spare seats from a number of their busiest stations.

The charts show trains with seats available, and those with only standing room and shows routes where passengers might be required to stand for 20 minutes or longer.

Picture © London Midland

2.55 Other rail data being made available as part of the Coalition Government's transparency agenda includes "right time" (to the minute) train punctuality data (at train operator level) being put in the public domain for the first time

2.56 In the 2013 Budget, the Government also increased the tax-free element of its beneficial loans scheme from its previous limit of £5,000 to £10,000. This means that more commuters will be able to benefit from employers' season ticket loans schemes to reduce the cost of buying a season ticket and will open up employment opportunities to more people.

A better deal for longer-distance passengers

2.57 For longer-distance journeys, Government protects passengers by regulating the off-peak one month return fare, capping fare rises on these

2.58   The fares that often receive publicity are usually the maximum unregulated Anytime fare for an intercity journey, e.g. London to Manchester or Leeds to Edinburgh, despite the fact that only a minority of journeys are undertaken via such tickets. As is well-established in other industries, for example airline or hotel, these are fares targeted at those passengers who are prepared to pay a premium for full flexibility with their booking.

2.59   Although only 19% of longer-distance passengers pay the Anytime fare[20], this allows operators more scope to offer discounted fares for passengers who are more price-sensitive and do not require that extra flexibility. The chart below shows the steady growth in discounted Advance ticket sales over the last decade[21].
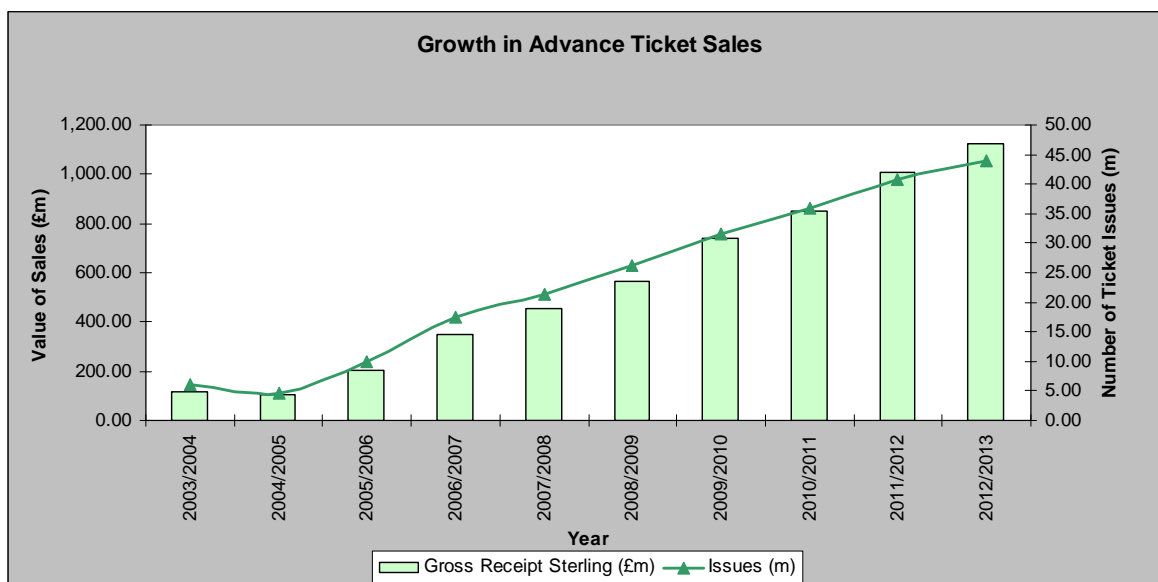
Figure 1 - Growth in Advance Ticket Sales

2.60   Unlike most rail commuters however, the majority of longer-distance passengers have the option of travelling by other modes (coach, car or air) or not at all (travelling from choice rather than necessity). This is why Government takes a more flexible approach to regulating longer-distance fares, with a greater role for commercial pricing based on the market conditions on a particular route. This allows us to get best value for taxpayers, while ensuring a regulated fare is available on every route for large parts of the day.

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[20] 2012/13 Ticket Sales Data
[21] Ticket Sales Data

2.61 Longer-distance fares regulation provides crucial protection for passengers by constraining the price of the off-peak one month return fare below the price that train operators would charge on a purely commercial basis. **We have committed to protecting longer-distance passengers by continuing to require operators to offer a discounted off-peak one month return fare, and by continuing to regulate the price as well as the existence of this fare.** These off-peak regulated fares offer passengers a choice of train, one month's validity and in some cases the option of breaking their journey.

2.62 While we have considered the option of regulating Anytime fares for longer-distance trips, on balance we believe the current system meets Government's policy objectives by allowing train operators to offer a range of fares to suit different pockets and preferences, while providing a guaranteed minimum level of protection, and that there is no pressing case to increase the amount of regulation in this area.

2.63 Ultimately we believe that a *deregulatory* approach is likely to be the most effective in managing demand and minimising taxpayer subsidy; and that less regulation would encourage stronger competition and innovation among train operators by allowing them to segment their markets more effectively. However, as with most possible changes to the fares structure, it would leave some passengers better off but others worse off. **And in the current climate, we are not prepared to impose additional fare rises of this sort on rail passengers.**

2.64 Likewise we have also considered whether a form of super/shoulder peak pricing for longer-distance travel (similar to that considered for commuters) could ease longer-distance crowding by smoothing passenger demand.

2.65 Operators are not required to accept regulated off-peak fares for longer-distance travel on Mondays to Fridays before 10:30 or (on departures from London and stations to Reading, Watford, Luton and Stevenage) between 15:00-19:00. This approach is designed to help manage demand but has led to crowding on some trains at the edge of the peak. Even though many train operators choose not to apply the restriction for the whole of these periods, some routes see big surges in demand on the last train before and the first train after the peak period.

2.66 Some train operators have already introduced a form of super/shoulder peak pricing where it makes commercial sense, but market dynamics vary from route to route and on other routes it doesn't make commercial sense. Mandating this approach would result in some passengers paying more to travel at their preferred time; and significantly complicate the fares structure for passengers.

2.67 For these reasons **we have decided against mandating any form of shoulder peak pricing on longer-distance routes**. We believe that the increased use of Advance tickets has a big role to play in spreading demand. In addition we are discussing with train operators various ways that crowding information could be provided to encourage passengers

who can to change the time they travel, for a more comfortable journey and reduced crowding across the network.

Using Advance Tickets for demand management

Despite being unregulated, there has been an increase in discounted Advance Tickets being offered to passengers by train companies. This is because advance tickets allow seats to be priced and sold on the basis of the amount of capacity available and the level of passenger demand being experienced.

Train companies can use this as a demand management tool by offering discounted tickets during the off-peaks where demand is lowest, and limiting the amount of Advance Tickets available during the peaks. This encourages passengers looking for a cheaper deal to book early to travel in the off-peak at a discounted rate whilst reducing overcrowding during the peaks improving the journey quality of those who still opt to travel during the peaks at a higher price.

This is beneficial to the train companies (and ultimately the taxpayer) because train load factors and revenue can be maximised during periods of low demand.

Example – For a journey during the off-peak from London to Newcastle, a standard super-off peak single is £121 but an Advance single booked a month in advance costs £38.[22]

2.68 Structurally we believe the system of fares regulation established at privatisation remains sound. It allows train companies to respond to changing demand in a timely and effective manner.

2.69 Our challenge to train operators is to provide clearer and more targeted explanations of the key characteristics of each ticket type at the point of purchase, recognising that a customer who can confidently select the best fare for their journey is a satisfied customer. Improving the quality and availability of information on self-service ticketing channels is a key objective and our strategy on this is set out in Chapter 3.

East Midland Trains – 15% discount during Nottingham blockade

We recently approved a request from East Midland Trains to reduce their fares for a limited amount of time during resignalling works at Nottingham

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[22] Sourced on 1 October from National Rail Enquiries website. London Kings Cross depart at 10:30 on 30 October

which led to major disruptions to train services.

The request was approved because it offered passengers lower fares while their journeys were disrupted; it had the support of all other affected train operators; and also reduced the impact of the longer term revenue loss to the taxpayer.

Balancing complexity and choice

2.70 Over long distances we regulate the off-peak (one month return) fare. As a result train operators offer both discounted (Advance) fares and premium (Anytime) fares compared to the regulated off-peak fare[23]. The result is a wide range of fares on offer, costing from tens of pounds to a few hundred pounds for the same journey.

2.71 While we recognise that some passengers can find this confusing, we believe there is a strong case for continuing to support this mixed approach. It makes possible cheaper deals for those who are most price-sensitive (such as leisure passengers) while allowing train operators to charge a premium for those who want a fully flexible product (for example, some business passengers). This allows us to fulfil our duty to taxpayers as well as passengers by making better use of capacity and by making the railway less costly to run.

2.72 This approach also allows train operators to price commercially where we believe it is appropriate to do so, and encourages competition between operators which can drive fares down

2.73 In fact our rail fares system is ahead of other European rail networks in terms of offering a range of products that appeal to different segments of the market and other European networks are increasingly adopting a similar approach to ours. Too often our rail fares system is compared unfavourably to those on the Continent when in fact we not only have one of the most sophisticated systems, but one which also competes extremely well on price level. A recent report for Passenger Focus and ATOC on international rail fares and ticketing reported that "the range of tickets and fares available in the UK is in line, although having one of the larger ranges of fares, with the other markets considered." [24]

2.74 A trade off between price and flexibility is a familiar and successful concept from other retail sectors. The advance purchase/revenue management business model has now become the norm in the travel industry and is used extensively by airlines, hotels, car rental companies and coach operators – passengers are offered the choice to pay a premium for a fully flexible ticket or go for the cheaper one but accept the

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[23] Whereas for commuters we regulate the maximum fare leaving train operators free to offer whatever discounted fares they want below that, but no premium fares
[24] Comparison of international rail fares and ticketing report for ATOC and Passenger Focus - February 2013 - Passenger Focus

reduced flexibility – and we see no reason why it should not continue to be replicated for rail fares.

2.75   In general we do not believe that simplification for simplification's sake would benefit passengers as less choice is likely to mean fewer really cheap deals for those who otherwise may not choose to travel by rail at all and less effective use of capacity, which could increase costs for passenger and taxpayers overall.

2.76   However, we accept that a more complex and sophisticated system requires more careful explanation to make it easy to grasp quickly, and to date that has not always been the case. We want to see further improvements to information about rail fares, to help passengers navigate the system more easily. We believe that simpler and better targeted information can both help. Our plans to improve fares and ticketing information are set out in Chapter 3.

2.77   There is however one simplification measure which we believe would also bring wider benefits. This would be to regulate all longer-distance tickets for off-peak travel on a single leg basis, ending the confusing and frustrating situation for passengers where the off-peak single can be as little as 10p cheaper than the off-peak return.

2.78   This would give passengers the opportunity to "mix and match" the best ticket for each leg of their journey. For example, passengers could combine a peak with an off-peak ticket, or a full-price "buy on the day" with a discounted Advance ticket. It would also stimulate increased shift to book-ahead tickets, which help maximise use of space on trains while minimising crowding.

2.79   Allowing more long-distance passengers to get a better and fairer deal in this way would not be without cost to government and mandating such a change network-wide remains unaffordable in the current climate. However, a pilot will allow us to measure how passengers respond in practice, to inform an assessment of the affordability and sustainability of adopting this approach network-wide.

2.80   **We therefore intend to trial this approach on a major intercity route or routes** and will seek requests for proposals from train operators in order to identify a suitable route that will meet specific criteria necessary for the trial. Subject to the success of this trial, we will consider the feasibility of making this approach permanent and extending it network-wide when we can afford to do so. However, in principle we believe that pricing long-distance travel on a single leg basis is better and fairer for passengers and it remains our aspiration for the longer term.

Advance fares – a rail success story

2.81 Advance fares have been a huge success story, growing from 8% of revenue in 2007/08 to 14% of revenue in 2012/13. They account for 28% of all long-distance trips[25] but for more than half of all trips on some of the busiest intercity routes such as London to Manchester or London to Leeds.

2.82 Advance fares have delivered significantly lower fares for many customers but these cheaper fares come at the price of flexibility, for example by restricting their use to a particular journey. While we accept that restrictions are necessary if train operators are to continue to offer discounted advance fares, we are aware of a number of concerns about how these restrictions have been communicated and enforced.   We have taken a number of steps to address those concerns and to improve passenger confidence in these products.

2.83 First, train companies have not always been as clear as they might as to passengers' existing entitlement to change the time and/or date of their Advance ticket any time up to departure on payment of a £10 administration fee plus any difference in fare. DfT Ministers have written to train companies requesting that they publicise this provision much more clearly and prominently during purchase, on tickets and at stations.

2.84 Second, since November 2012 holders of invalid Advance tickets on off-peak services have no longer been required to buy a new Anytime fare. Instead they will be able to buy the relevant off-peak fare for that journey. This was already the case on the services of some train companies but since November 2012 all remaining train companies have adopted this approach. We welcome this move.

2.85 Third, we are pleased that train operators are taking steps to address concerns raised by passengers about the procedures in place when passengers board a train without a valid ticket. The Association of Train Operating Companies (ATOC) have developed a Code of Practice on Arrangements for Travel Ticket Irregularities that aims to ensure that all such scenarios are managed in a structured and consistent way across all train companies[26].

2.86 Though not mandatory, the Code published on the 5th of September 2013, sets out best practices for ensuring that train operators provide their passengers with all the necessary information about their tickets prior to them making the journey, and that staff are adequately trained to deal with situations where passengers are travelling without a valid ticket in a fair and consistent manner.

2.87 Fourth, Advance tickets are very popular but are currently only on sale up to 23.59 the night before and not on the day of travel. The reason for

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[25] 2012/13 Ticket Sales Data
[26] http://www.nationalrail.co.uk/static/documents/content/Ticket_Irregularities_Code_of_Practice.pdf

this is the way Advance tickets have been defined in the industry Ticketing and Settlement Agreement. One train operator, CrossCountry, has invested in addressing some of these issues and has trialled the offer of Advance tickets available for purchase *up to 10 minutes* before departure from their station via CrossCountry's smartphone app and *up to 15 minutes before departure* via their website and telesales retail channels.

2.88 CrossCountry recently requested approval from DfT to offer this fare on a permanent basis. We considered representations from other train operators, the ORR and Passenger Focus and after careful consideration we recently confirmed DfT approval for an 18 month trial of Advance purchase on the day of travel.

2.89 We believe that other operators may also be interested in exploring this type of product and will adopt a consistent approach with any applications to offer a similar product from other operators. While it remains to be seen how this might change wider ticket buying habits or how it might impact overall price levels for Advance tickets, in principle we believe this is a positive and innovative development for passengers giving them more choice and the option of a cheaper fare.

2.90 Advance purchase on the day of travel will enable CrossCountry to better manage train loadings on the day by offering cheaper fares on less busy trains so that passengers who can be flexible in their choice of train can benefit from these cheaper fares if available. It is likely that these cheaper fares will not be available on already busy trains. CrossCountry will also offer seat reservations on the booked train as part of this trial, so that the passenger will have certainty of getting a seat.

2.91 The scale of the discount offered will depend on the route and other factors. The discount offered on Advance tickets bought closer to the departure of the train might not be as high as those offered for Advance tickets bought much earlier.

2.92 DfT will closely monitor this trial before deciding whether to allow this on a permanent basis, and we will work closely with Passenger Focus to understand the impact on passengers of the trial.

2.93 This is another example of innovation bringing benefits for passengers and we very much welcome it and more such innovations that are aimed at improving the passenger experience in any way.

2.94 Train operators have also voluntarily committed to the introduction of a £250 cap on standard class single fares and a £500 cap on standard class return fares from January 2014. The fares affected are the fully flexible, Anytime fares on a number of longer distance journeys.

2.95 We welcome this move as passengers who require maximum flexibility on these particularly lengthy journeys can be assured that they will now pay no more than £250 for a standard single or £500 for a standard return journey. Of course the vast majority of passengers will continue to

enjoy very much cheaper tickets for their journeys. Even on these very long distance journeys there will continue to be a range of much cheaper fares for passengers who require less flexibility or are able to plan their journey in advance.

2.96 Train companies set fares but Government regulates the basic structure of how they do this, in order to balance the competing interests of passengers and taxpayers. We believe this package of measures for longer-distance passengers is the best way to address passenger concerns while minimising the extra call on the public purse. We are clear in our commitment to protect the affordability and attractiveness of rail for longer-distance travel, and the "network benefits" that passengers value. The measures outlined in this chapter will make the system more flexible and responsive to passenger needs, ensuring the system works around the individual not the other way around.

3. Improving current ticketing

Summary

Our goal is an improved ticketing system fit for a modern railway and that fits in with modern lifestyles. The cost of providing ticketing services falls to passengers and taxpayers, so we also want to see ticketing services delivered more cost-effectively – but always with the needs of passengers to the fore.

A key step in achieving this is to encourage a further shift towards more efficient forms of ticketing such as better "self-service" ticket machines, websites and apps. This shift is already happening, but improving these channels can make them the preferred choice for more passengers.

We also want to ensure that train companies and other companies selling train tickets can implement modern retailing strategies tailored to local needs – without impacting on levels of customer service or quality.

We plan to bring about these changes through:

- A **Code of Practice on ticketing information** that will ensure passengers can access the information they need to confidently select the most appropriate ticket for their journey;

- An improved approach to the way we manage approvals for **changes to the ticket offices** with incentives for train companies to modernise ticketing facilities, while providing appropriate safeguards for passengers – including always being able to get help and advice from a member of staff, where they can do so now;

- A stronger and more focused approach to **quality and customer service in franchises** including ticket retail;

- A **market review** by the Office of Rail Regulation to consider whether the current market for selling train tickets is operating as efficiently as possible;

- **Publication of annual "mystery shopper" surveys** of all retail channels to improve transparency for passengers;

- Supporting further steps by the **rail industry** to improve ticketing.

These measures put passenger and taxpayer interests first – improved ticketing services that work around passengers' needs, at a sustainable cost to the taxpayer.

Introduction

3.1 Passengers have told us that it is not just the cost of their fare that matters but how they buy their ticket. We said in our consultation document that passengers want buying a ticket to be quick, easy, convenient, clear and straightforward, and the consultation responses we received support this.

3.2 Buying a ticket should be a simple process, not an obstacle course, and passengers should be able to have confidence they have bought the most appropriate ticket for their journey. In some instances at the moment this is not the case. Rail ticket retailing has not kept pace with other forms of retail (including other transport modes) and it is clear that improvements need to be made.

3.3 This chapter sets out:

- Government's role in rail ticketing;

- The key principles underpinning this strategy;

- What needs to change and why;

- The measures being taken by Government and the industry to improve existing ticketing systems in the short to medium term.

3.4 The next chapter looks to the longer-term, setting out our vision of the smart ticketing system of the future and how we will deliver it.

Government's role

3.5 Getting a ticket into a passenger's hand requires the successful integration of:

- a sales channel (online, ticket machine, ticket office, etc);

- an appropriate form of ticket (the familiar magnetic stripe or "magstripe" ticket, a smartcard, a contactless bank card etc); and

- effective industry infrastructure and support systems (such as the central Fares System and the National Reservation System).

3.6 These complex day to day processes and requirements are, rightly, managed by train companies. We believe it is right that these responsibilities rest with those with the expertise best placed to deliver them. However, this Coalition Government intends to:

- set out what we want train companies to deliver for passengers in terms of ticketing, now and in the future;

- provide the incentives for each train company to deliver this in the way best suited to its own network and passengers, and to develop innovative approaches that will improve the passenger experience; and

- support sensible decisions in the long-term interests of the passengers and taxpayers who use and fund our railways.

3.7 Providing that strategic direction is particularly important in today's rapidly changing technological landscape, with a multiplicity of potential new ticketing technologies becoming available.

Key ticketing principles

Our vision is for a ticketing system that gives passengers what they need, when they need it, but which over time costs less per transaction not more – allowing us to focus finite resources on improving train services and limiting future fare rises.

The following principles underpin our approach to rail ticketing:

Passengers **should have a ticketing system that:**

- Offers **widespread access to facilities** for buying a wide range of tickets, through a choice of channels/providers, **without compromising service quality**;

- Provides **the information passengers need to confidently choose the best ticket** for their journey, and to understand the terms, conditions and any restrictions on the ticket they buy;

- Allows them to get **help and advice** from a trained representative (where they can do so now);

- Is adaptive to modern needs and uses modern technology to offer **flexibility, convenience and minimal complexity**; and

- Offers high levels of customer service and is **accessible to all**.

The **passengers and taxpayers** who fund our railways should additionally be able to have confidence that:

- Ticketing technologies will play a part in encouraging growth while reducing unit costs as the number of passengers continues to grow, ensuring our railways can continue to support Britain's economic growth without increasing **the burden on passengers or taxpayers**.

Government will provide **train companies** with:

- The **freedom to innovate**, within a clear framework of required passenger protections;

- A **clear understanding of our expectations** and a collaborative approach to delivering these as appropriate.

A changing landscape

3.8 The way we buy goods and services has changed dramatically in recent years. The way we buy train tickets is also changing, and will continue to change as new technology is introduced. Passengers will have more choice about the sort of ticket they buy, and how and where they buy it.

3.9 Already passengers are showing a growing preference for self-service channels for buying their train tickets – only 28% of tickets are now sold through a ticket office compared to 54% in 2006/7. 32% of all sales in 2012/13 were from ticket machines and online, with Oyster Pay-As-You-Go on national rail in London, much of which is also self-service, accounting for a large proportion of the remaining sales (see Figure 2)[27].

3.10 This trend is likely to continue as more people gain access to smart phones, computers and tablets and become familiar with self-service channels in other parts of their life, e.g. at the supermarket check-out or applying for a driving licence online. Train companies are introducing new ways of selling tickets, for example via mobile phone. Smart ticketing (see Chapter 4) will also make it easier for passengers to manage their own tickets using self-service channels.
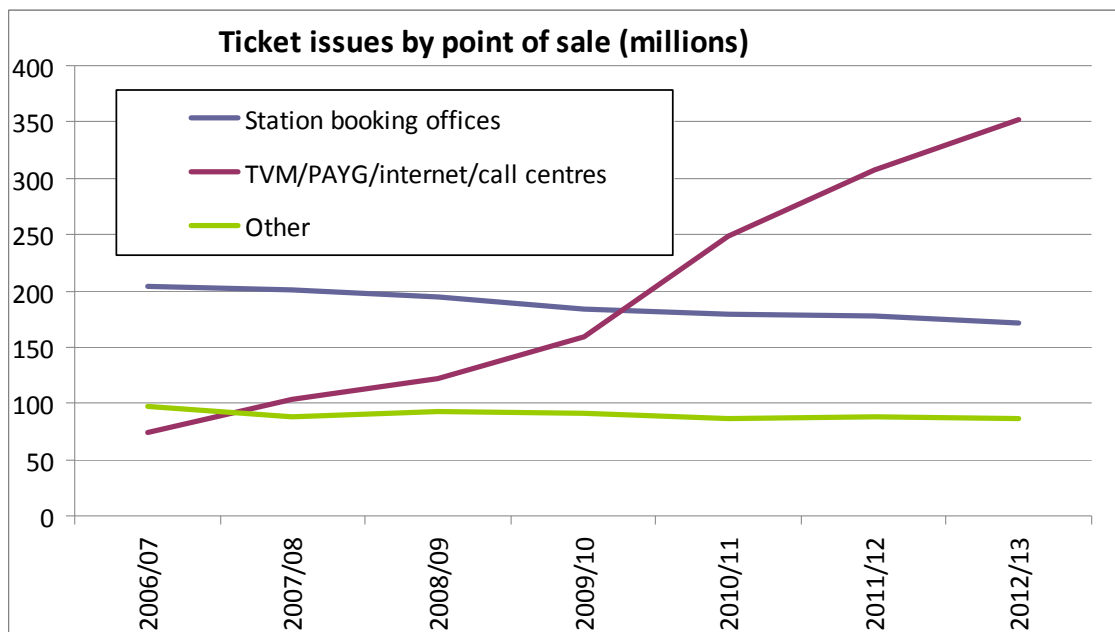
Figure 2 - Ticket issues by point of sale (millions)

3.11 Self-service channels – ticket machines and websites (including apps) – offer passengers **convenience** (less queuing at a ticket office), **choice** (research the best ticket prices and travel times online at leisure), **control** (in some cases, managing your own account e.g. changing the time of travel), and **accessibility** (buy a ticket anywhere, anytime).

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[27] Number of ticket issues, Association of Train Operating Companies, LENNON rail ticket sales database, 2012/13 remainder of sales split across travel agents, TfL, on train, and other.

3.12 With new ticketing technology becoming available, rail ticketing is in a period of transition. It is vital that as new ways of buying tickets are introduced on the rail network, we also look for opportunities to reduce costs while at the same time providing a better service for passengers. Our strategy for improving current ticketing systems will give:

- **passengers** confidence that they will enjoy widespread access to improved ticket-buying facilities suitable for a modern railway and the new opportunities that go with it;

- **train companies** a clear framework within which to develop ticketing solutions that meet the needs and expectations of passengers, harnessing new technology and tailoring provision at a local level;

- **taxpayers** and passengers confidence that Government will act on their behalf to bear down on the cost of running our railway.

3.13 But in order to achieve this **train companies** will need to:

- Actively take steps to improve ticketing information, aspiring to the highest standards of customer service and transparency;

- Embrace the opportunity to move to more cost-effective operating models where this can be achieved without detriment to passengers;

- Make full use of new technology to come forward with innovative proposals for providing a better service, moving away from the "one size fits all" approach of the past to a service that works around customers' needs.

We do not see these goals as mutually exclusive and want to see better service to passengers while at the same time reducing costs.

What needs to change?

3.14 This section sets out the key areas where and why we believe change is necessary.

Ticketing information

3.15 One of the biggest issues for passengers is the amount and quality of information available when buying tickets. The number of different tickets on offer can sometimes confuse passengers, and make them worry they are not getting the best deal or the most appropriate ticket for their needs. Without clear information, there is a risk that some passengers may pay for more flexibility than they need, or conversely find that their ticket is less flexible than they might have wanted.

3.16 We know that where information is not clear and focused, or where information is simply not available, the result is that passengers do not always understand the basic terms and conditions of their ticket – which

trains they can and cannot travel on[28]. For example, the ORR[29] found that 37% of passengers it surveyed travelling on an Advance ticket did not realise that if they boarded another train they would have to buy a new and probably higher-priced ticket. In addition, 41% of people surveyed online by the ORR had discovered after buying a ticket that a cheaper one was available.

3.17   Conversely, having been asked to select a departure time when buying online, some passengers who buy an Anytime or Off-Peak ticket may not realise that their ticket is valid for other departures as well.

3.18   We believe that the existence of a wide choice of fares to cater for different passengers in different circumstances is in the passenger's overall interest. **Choice is good – but only if passengers fully understand the choice on offer**.

3.19   Until more passengers are confident using self-service channels, the ticket office will remain the default choice for many, preventing sensible efficiencies from being realised and tying up limited resources in legacy systems instead of focusing on investment for the future.

Ticketing infrastructure

3.20   From discussion with train companies and passenger groups we know that ticket machines, websites and supporting infrastructure can sometimes fall short of where passengers, Government and train companies themselves would want them to be.

3.21   Most of the current generation of ticket machines were designed as queue-busters, to provide quick access to the most popular and straightforward tickets for travel on the day and allow ticket office staff to focus on helping customers with more complicated transactions, reducing ticket office queues. They were not designed to offer more complex combinations of tickets, or book-ahead tickets.

3.22   But many ticket machines are showing their age. Even where they have been updated, their design/interfaces have not always kept up with advances in other sectors or with increasing passenger expectations.

3.23   Many passengers are now used to the impressive functionality, intuitive and slick interfaces of consumer technology such as smart phones. We are beginning to see rail apps and websites that offer a wider range of journey planning functions, but for a ticket machine to provide the full range of ticket office functions could require tens of millions of pounds of investment to upgrade or replace outdated machines and back office systems.

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[28] Passenger Focus - Fares and Ticketing Study - .Chapter 8, page 18 - http://www.passengerfocus.org.uk/research/publications/fares-and-ticketing-study
[29] http://www.rail-reg.gov.uk/upload/pdf/ticket-complexity-report-june-2012.pdf, ORR, Fares and Ticketing – Information and Complexity, June 2012

3.24 Although ticket websites generally sell a wider range of tickets than ticket machines, they vary in functionality and layout, and in many cases there is room for improvement to bring functionality, information, and look and feel up to the standard of the best from other retail sectors.

Tickets themselves

3.25 Outside London, the most common form of ticket is still the credit card-sized "magstripe" ticket first introduced in 1983. Passengers are comfortable with this familiar format but it has some important limitations.

3.26 In the short term, the rail industry will be rolling out a cleaner, fresher and updated magstripe ticket starting early next year (see para 3.93). In the medium to longer term we intend to replace magstripe with a more up to date technology that will provide added benefits to passengers and operators (see Chapter 4).

Rail ticketing in a modern consumer market

A changing market

3.27 Increasing numbers of passengers are using ticket machines to buy everyday tickets and the value of the tickets bought through ticket machines has increased by 3.6% in the last year alone[30].

3.28 Discounted Advance tickets are a key rail success story of recent years with the majority of purchases made online, e.g. 81% of Advance tickets for travel on East Coast were sold online in 2012/13[31]. With such a large proportion of tickets sold online it is important that online purchasing is easy to use and provides all the relevant information to passengers.

3.29 Increasingly passengers are no longer having their tickets posted out to them but picking them up at the ticket machine just before travel, or at a time that suits them. "Ticket on Departure" now accounts for 20% of all fares revenue, as shown in Figure 3 below:

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[30] Lennon database, based on £m figures for Period 13 2012/13
[31] East Coast, Lennon database figures 2012/13
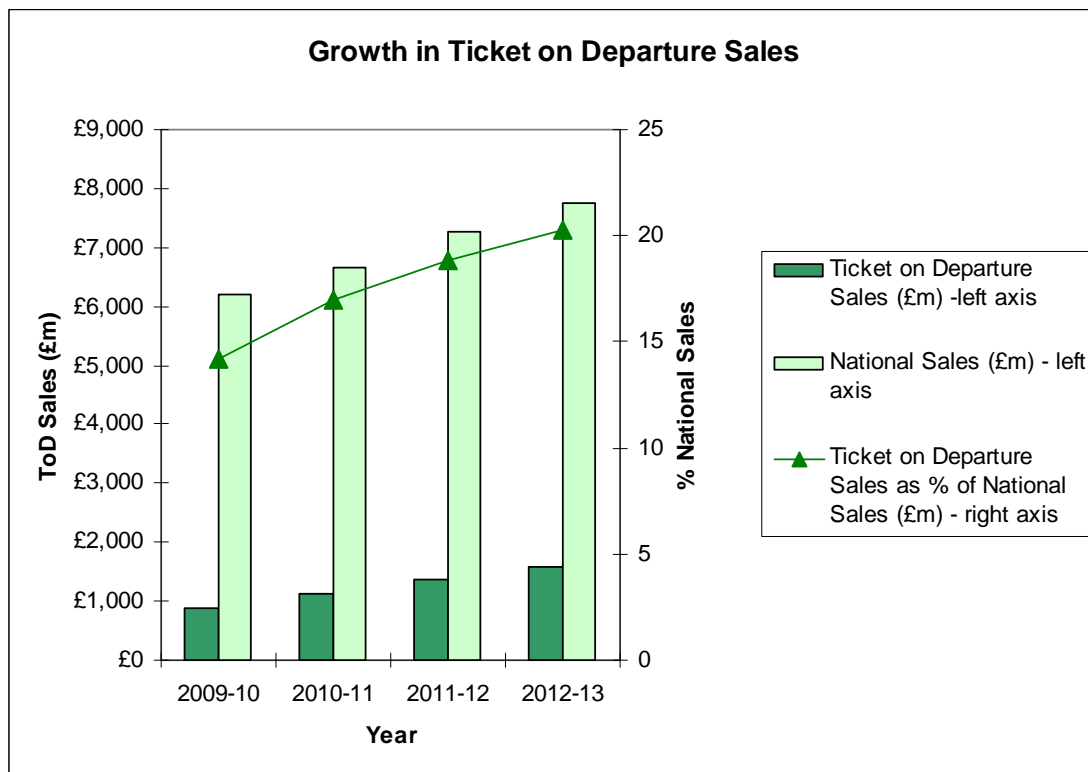
Growth in Ticket on Departure Sales

Figure 3 - Growth in ticket on departure sales

3.30 Train companies have responded to the popularity of Ticket on Departure by installing dedicated Ticket on Departure machines that are quick and convenient to use, reducing queues and freeing up multi-purpose ticket machines for other passengers.

3.31 Ticket sales via mobile phone apps (or "m-tickets" as they are sometimes known) are also becoming increasingly common and provide the flexibility of buying tickets on-the-go.

3.32 Separately, research conducted for Passenger Focus showed that people saw the ability to manage your own tickets online as one of the key benefits of new smart ticketing[32].

3.33 Apps and websites are also increasingly fulfilling the information and advice function of the ticket office and the National Rail Enquiries telephone line. For example, National Rail Enquiries now receives the vast majority of its enquiries via its website and apps (see Figure 4 below). The number of phone calls has dropped from 52 million in 2003/4 to just under 6 million in 2011/12, with a 13.6% increase in website/app use in the year to 2011-12 alone[33]. The convenience of being able to

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[32] "Smart ticketing – what rail passengers want", Passenger Focus, July 2013
http://www.passengerfocus.org.uk/research/publications/smart-ticketing-what-rail-passengers-want-july-2013?utm_source=http%3a%2f%2femail.passengerfocus.org.uk%2fpassengerfocuslz%2f&utm_medium=email&utm_campaign=Smart+Ticketing+-+what+rail+passengers+want&utm_term=Smart+ticketing+-+what+rail+passengers+want&utm_content=5337#
[33] http://dataportal.orr.gov.uk/displayreport/report/html/ffc121ca-7ed8-47c5-8448-4fd4eb4e56b3 National Rail Enquiries (Telephone calls and self-service channels) - table

access such advice "24/7" is likely to mean that many of these people now choose not to visit their ticket office for such enquiries.
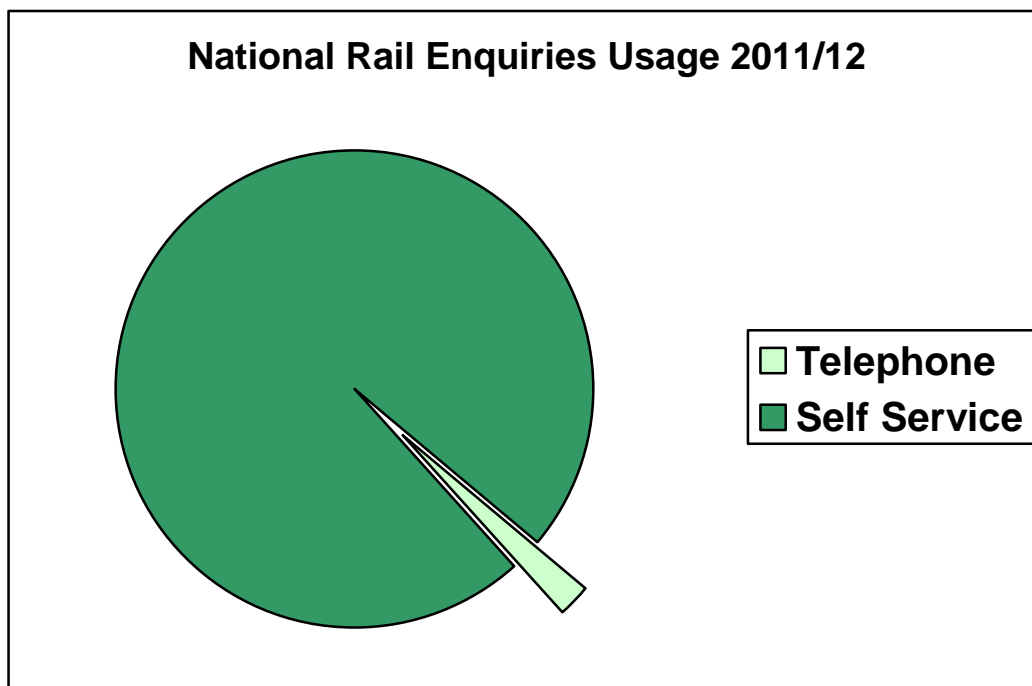
National Rail Enquiries Usage 2011/12

□ Telephone
■ Self Service

Figure 4 - National Rail enquiries usage 2011/12

3.34   Access to the internet and apps continues to increase steadily. For example in 2012, 92% of UK adults owned a mobile phone[34] and 64% of new handsets sold were smartphones[35], with the growth in take-up seen across all age groups under 65[36]. 82% of adults now own at least one internet-enabled device[37].

3.35   As such, the way we purchase goods and services is changing with 74% of internet users now purchasing goods online[38] and in the past three years, e-commerce has grown at ten times the rate of high street sales[39] indicating growing consumer confidence in online shopping[40]. Self-service is fast becoming the norm in more and more sectors, from supermarkets to cinemas to pubs to hotels, and we expect this trend to continue for buying train tickets too, particularly as smart ticketing is introduced more widely outside London. Ultimately we expect self-service to become the first choice for routine journeys for all passengers.

3.36   Self-service channels on rail therefore need to continue to evolve in line with passenger preferences and expectations.

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[34] http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Researc1.pdf, Ofcom The Consumer Experience 2012, page 5
[35] Ibid., page 64
[36] http://stakeholders.ofcom.org.uk/binaries/research/consumer-experience/tce-12/Consumer_Experience_Researc1.pdf, Ofcom The Consumer Experience 2012, page 15
[37] Ibid., page 4
[38] Ibid., page 254
[39] Ibid., page 253
[40] Ibid., page 272

What this means for ticket retailing

3.37 Ticket offices continue to play an important role in many stations, but they are also expensive to run, costing roughly twice as much per ticket sale as self-service channels[41] and tying up staff resources that could be more effectively deployed elsewhere.

3.38 As more and more passengers switch to self-service, the comparative cost of selling tickets through ticket offices will increase still further, especially as a large proportion of ticket office costs are fixed overhead costs irrespective of the number of tickets sold.

3.39 Enabling more passengers to switch to self-service channels therefore has the potential to reduce the cost of running our railways, but only if sensible decisions are taken about reassessing existing provision where usage has fallen. Ticket offices in busy stations continue to sell large numbers of tickets and are financially viable, but in many smaller stations, supporting a full ticket office service alongside newer retailing methods will not (or may already not) be sustainable.

3.40 It is right that Government and industry work together to tackle the cost of ticket office provision where they are serving a declining proportion of passengers and where alternatives are available that offer as good a level of service for buying tickets and getting information. If we do not, passengers (in the cost of their ticket) and taxpayers (through Government subsidy) will be paying for multiple sales channels, reducing our ability to fund other improvements for passengers or to cut rail fares. However, we have made clear that this must not be at the cost of a reduced service to passengers.

3.41 Some passengers do not currently have access to websites or ticket machines or are uncomfortable using them. We are clear that the ticket retail system must continue to cater to all passengers, ensuring that those who can do so now can continue to get help and advice from a trained representative when buying a ticket.

3.42 However, just as other retail sectors have done, and their customers with them, the rail industry needs to embrace the opportunities that new technology brings. The current system dates from the 1980s, before the personal computers, mobile phones, internet and other technologies that are now commonplace.

3.43 Queuing at a window open only during certain hours of the day, whether you need advice from a member of staff or not, does not for example match the speed and convenience of buying groceries online at anytime of the day, using the self-service check out at station retail facilities, or waving a bank card to make a quick purchase at the sandwich shop.

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[41] ATOC response to DfT Fares & Ticketing Consultation, 28/6/12. Indicative estimate of cost of sale as a percentage of revenue (8% vs 4%).

3.44 There is no reason for the railways to lag behind other sectors. Large numbers of passengers have already embraced new ways of buying tickets, because it suits them to do so. But the potential savings this creates can only be realised if self-service channels are good enough for *everybody* to be confident switching and to easily buy the ticket that they need, wherever and whenever is convenient. The next section sets out how we will achieve this.

What Government is doing

3.45 This section sets out what action Government is taking to facilitate improvements to current ticketing systems**.**

Information enhancements

3.46 A key step to making ticketing systems easier to use is the provision of better information. Many passengers prefer ticket offices because they can get information and seek advice on getting the best fare for their journey or to understand any restrictions on the ticket they have bought. There is no reason why in future they should not be able to get this information from other channels. More passengers will be more comfortable switching to self-service once confidence in this capability has improved.

3.47 We welcome the improvements train companies are already making in this area (see para 3.85) but want these to go further. To ensure all passengers get a fair deal, we want to see that a **Code of Practice on the provision of ticket information at the point of sale** is adopted. This will help ensure that ticket retailers give passengers a clear understanding of what level of service they can expect, whether from a ticket office, online, a ticket machine, or other self-service channels.

3.48 As the designated enforcer of consumer law for the railways, the ORR will oversee the development of this Code. Ticket retailers, whether train companies or third parties, and passenger representative groups such as Passenger Focus, will need to work together to develop and agree its content. We expect the new Code of Practice to be introduced within the next 12 months.

3.49 The Code will promote best practice in meeting consumer law and industry standards. It will give industry, passengers and the regulator alike a benchmark against which to compare performance, increasing transparency and driving improvements where needed. The Code will ensure that passengers are provided with the information they need to choose the best ticket for their journey and that this information is clear and not misleading, for example that:

- information on the types of fares, the differences between them and any restrictions e.g. on departure time or route, is clear and obvious;

- passengers are made aware of key terms and conditions, such as compensation and refund rights;

- alternative options are explained;

- explanations are in plain English and not industry jargon;

- there is a core/consistent industry description of the main ticket types and restrictions;

- passengers know what standards of service to expect.

3.50 The Code will build on improvements already being made by train companies and third party retailers and will become a professional standard against which all retailing activity is measured. The Office of Rail Regulation will be able to rely on this Code as part of ensuring compliance with consumer law to protect and uphold consumer rights.

3.51 The Code will also set out passengers' entitlements under general and sector specific domestic and European consumer law, to make clear what information they can expect to receive when they buy a ticket. It will aid understanding of and compliance with the consumer law applicable to all parties retailing tickets now and in the future.

3.52 ORR will discuss with the industry its approach to monitoring and enforcement, including the duration of any transition period to allow the Code to bed in.

3.53 We believe that underscoring the principles of consumer law on ticketing in such an open and accessible document is an important part of ensuring passenger trust in new self-service channels and in our railways as a whole.

3.54 We believe that a Code of Practice is currently the most proportionate way to achieve this and to secure improvements. However, if it does not have the desired effect the ORR, working with the Department for transport will need to consider other mechanisms to ensure that ticketing information is provided to the expected standard.

Improvements to the way we manage ticket office changes

3.55 The traditional ticket office is an important element of the passenger experience, and the Department is reconfirming its commitment to ensuring that station ticket offices remain an important route for passengers to buy tickets.

3.56 New technologies, such as video-linked ticket vending machines, and new retail opportunities, such as linking ticket sales with other retail outlets, are either already in place, or becoming a viable alternative in a variety of locations – particularly at smaller stations. Such technologies continue to improve, with more and more options becoming available all the time. Passengers have never had so much choice about how and when they buy tickets.

3.57 The rules that require train operators to provide ticket office facilities were drawn up at a time before modern technologies, such as internet retail and modern ticket machines were prevalent. Where this "legacy" regulation requires train operators to pay for and maintain a full ticket office service despite dramatically declining usage this can discourage them from investing in more modern alternatives that benefit passengers – as the cost of any further investment would need to be met on top of the existing costs of a ticket office.

3.58 The current generation of ticket machines continue to have a role in ticket retail – particularly in reducing queuing and providing the fastest possible service. However, we know that many passengers value the ability to talk to a human being for help and advice when buying a ticket.

3.59 We also know that changes to ticket office opening hours can be controversial. While we want to make it easier for the rail industry to propose innovative changes that harness new technologies for the overall benefit of passengers and taxpayers, we also want to ensure that all passengers continue to enjoy a high level of service.

3.60 We intend to do this through a change to the existing ticketing regulation that will incentivise train operators to bring forward packages of measures that are wholly in the best interests of passengers – not just a compromise between service and efficiency. Under these arrangements, operators will be able to propose changes as part of franchise agreements, rather than under the Ticketing and Settlement Agreement as is the case now. The Department will retain the power to approve or reject all changes.

3.61 As a core part of this change, we are strengthening the role of passenger bodies, giving them a broader role in shaping proposals and the ability to raise objections on a wider range of grounds. For example, passenger bodies will now be able to raise objections to any aspects of the proposals including those that previously could not be given adequate weight, such as the impact of any proposals on disabled passengers and on facilities such as waiting rooms, lifts, CCTV or toilets at stations.

3.62 Where operators can satisfy passenger bodies and other stakeholders that the changes represent a genuine improvement for passengers and protect the needs of vulnerable groups of passengers, we will allow train operators to retain any savings that accrue. This will provide a real incentive for train companies to propose improvements that are genuinely in passengers' interest.

3.63 We are also strengthening our policy on changes to ticket office opening hours so that where passengers currently have access to a trained representative, they will continue to do so, even if opening hours change. This trained representative may not be the traditional ticket office vendor – but could be, for example, a multi-skilled member of platform staff who provides other services such as travel information. In other cases, this may be provided by combining ticket office facilities with

retail services – a model that has been very successful at a number of stations in Merseyside.

3.64 In other cases, services could be provided remotely through video-linked ticket machines. Reductions to ticket office opening hours would not be able to take effect until these alternatives have been put in place. Encouraging greater visibility of station staff should also provide better assurance to passengers about safety and security at stations, while enabling them to continue to provide the services that are important to passengers.

3.65 Future changes to ticket office opening hours should mean no reduction overall, and in some cases an improvement, to the services provided to disabled passengers. Where station staff can be brought out from behind the ticket office window and on to the concourse, this would also mean that fewer disabled people will need to telephone ahead to ask for assistance or use other nearby stations.

3.66 Where there is a planned reduction in station staffing, careful consideration should be given, before any changes, to adaptations which could be made to enable disabled people to continue to use their preferred station. In addition, where planned changes lead to a reduction in staff cover at stations, explicit consideration should be given as to how to continue to make services such as waiting rooms and toilets available to the public.

3.67 The department is currently considering the recommendations of a recent Transport Select Committee report into accessibility for disabled people, which included specific recommendations on the Passenger Assist service, and will publish its response in November.

3.68 There will remain cases where it no longer makes sense to maintain some existing ticket office opening hours. This is already the case today and ticket offices already have amended hours or in some cases closed under the existing procedures. We will continue to consider these cases on their merits. In some cases, there may be a compelling reason for change, even where passenger groups are not wholly in favour, in order to reduce costs and release funding for other improvements.

3.69 However, for any change to be approved, we would need to be satisfied that appropriate safeguards are in place for all passengers, including those with particular accessibility needs. These safeguards would include passengers being able to purchase the most appropriate and cost effective tickets through ticket machines, which are also adapted to allow members of the public to communicate and seek advice from staff members who are not located at the station itself.

3.70 As an additional safeguard, we are strengthening Ministers' powers to require public consultation on any proposed amendment to ticket office opening hours. Passenger bodies will, as now, be able to consult directly with passengers themselves, or to call for a formal public consultation to be undertaken. Where they call for a public consultation there should be

a presumption that it will be granted. We will be enshrining this requirement in franchise agreements, which will give Ministers the power to take enforcement action if operators seek to circumvent this process.

3.71   In addition, we will be reserving the right not only to require a display at stations, but to specify the form that any public consultation must take, so that this can be tailored to the specific requirements of the station in question. This could, for example, require publicity in local press or postal correspondence or perhaps more focused consultations with particular user groups. Passenger groups would continue to have the right to carry out further consultation if they consider it appropriate.

3.72   Station ticket offices cannot be excluded from wider efforts to improve efficiencies on the railways, but with these improved safeguards in place, we believe that we can drive efficiencies in a way that also delivers improvements to the services that passengers value.

Putting passengers first – our approach to quality customer service in future franchises

3.73   The 2012 Brown Review of franchising made a number of recommendations about how the franchising process might be improved. We listened and in March this year we set out our new re-franchising timetable and our aims and ambitions for it.

3.74   We want franchises to provide world class train services that drive economic growth, exceed passenger expectations and deliver value for money for passengers and taxpayers.

3.75   The propositions currently being developed by the Department for rail franchise competitions also recognise the important role of rail services in supporting the Government's wider policy aims including encouraging growth in sustainable door-to-door journeys and reducing the industry's overall energy consumption, waste, carbon emissions and other harmful environmental impacts.

3.76   We want operators to continuously seek to improve their offer for passengers, and to place passenger interests at the centre of all aspects of their business planning and operations in order to deliver consistently excellent train and station services.

3.77   Our response to the Brown Review was published on 11 July 2013. We are clear about the direction of many of the changes we plan to make and we will be making significant changes to franchise procurement to provide a stronger and more focussed approach to "quality" services for passengers in line with the recommendations made by Richard Brown,

3.78   When franchise bids are assessed points will be given for the quality and deliverability of non-financial elements of the bid, as well as the price offered to the taxpayer, when awarding the franchise. The scoring criteria will be designed to secure good quality for passengers and good outcomes for taxpayers across a number of areas such as innovation,

good management and passenger satisfaction. **The quality of proposals to improve retail and ticketing will be an important element in bidders' wider offer to passengers.**

3.79   We wish to avoid an overly prescriptive approach, for instance mandating detailed requirements that are likely to become outdated over a long franchise term, but instead give bidders flexibility to encourage efficiency through proposing innovative solutions that also protect essential service levels for passengers.

3.80   However, these are complex issues so there is further work to do in order to set out the detail of the changes we are making and what we are seeking to buy. Part of this will be published in a Rail Franchising Overview document due later this year, but each individual franchise invitation to tender will detail the requirements, including on ticketing issues, on a bespoke basis so that they are tailored to the particular circumstances of that franchise. This is in line with our wider policy on ticketing that aims to ensure ticketing is tailored and representative of the needs at a local level.

Increased transparency

3.81   We will also improve information about how well train companies are doing in providing high-quality ticketing services. From 2014, **ATOC has agreed to publish the results of the independent surveys it commissions annually into how well ticket office staff, ticket machines, and web retail channels perform in terms of selling customers the best ticket for their journey.**

3.82   ATOC has over the years increased the complexity of the ticket-buying scenarios tested in these independent surveys to reflect changing passenger needs. However, to date, ATOC and its members have used the results of these surveys for internal quality assurance purposes only. From now on, passengers too will be able to see how well the industry is performing in this area. We have also asked ATOC to consider some form of Passenger Focus involvement in this process in future.

This Government is committed to increasing data transparency. Following discussions between the Department for Transport and ATOC, the rail industry fares database, previously only available under a paid-for licence, can now be accessed for free through the ATOC website (Fares Data | data.atoc.org)

In other industries where similar information has been put in the public domain, the result has been price comparison websites and mobile apps coming onto the market. We expect similar results from putting rail fares data into the public domain – passengers will benefit from new and improved ways of researching ticket information.

In addition, in 2011 timetabling information was put into the public domain free of charge (Using Timetable Data | data.atoc.org).

Alternative providers

3.83 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.

3.84 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.

3.85 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.

3.86 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.

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

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

3.89 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.

3.90 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.

A station that serves its community

Gobowen station in Shropshire demonstrates that a station does not require direct train company involvement to thrive. Gobowen has third party management through a private limited company operating as a social enterprise.

It continues to sell rail tickets but, because it does not have the wider responsibilities of running trains, it has also been able to take

on a number of other roles aimed at benefiting the local community. It employs two full-time staff, opens five and a half days a week and has even extended its opening hours. The waiting room has been converted into a café where disabled students from the local catering college undertake work experience. It also sells second-hand books, which provides revenue for charity or to improve the station.

The company brings in additional income by offering expertise in managing school and business travel bookings nationwide.

However most of all it has a community focus and therefore it has been able to tailor services to the local community, and act as a small community hub.

For example the British Transport Police use the facilities for surgeries to engage with rail users in the area, and staff provide local bus and taxi.

(Photos © Sheila Dee)

Further improvements to ticketing

3.91 The measures Government will be taking to facilitate improvements to ticketing will complement existing industry-led initiatives to be delivered over the next few years. These are described below.

Ticket channels

3.92 In response to concerns raised by passengers and Government including the ORR, train companies have agreed an ongoing plan for a programme of improvements to the amount and quality of information provided at ticket machines and online, to be phased in from early 2014 including:

- Better information about ticket options and ticket validity/restrictions;

- A clear explanation of the route(s) passengers can use with their ticket;

- Rail industry jargon to be replaced with plain English descriptions and explanations.

3.93 In addition, ticketing information systems and procedures are being enhanced to allow them to be managed centrally by the ATOC on behalf of train companies, to ensure a consistent approach across all train companies.

3.94 Although these improvements may sound relatively straightforward, with a back office system dating back to the 1980s, getting this far has been a challenge and these improvements are pushing at the limits of what current industry systems can deliver. So, in parallel, train companies are working together to invest in comprehensively upgrading the industry-wide fares database. This will provide a more modern and flexible data platform for ticket machines, websites and other ticket issuing systems, allowing further industry-wide improvements to information and usability to be made more easily in future.

3.95 In terms of presentation and layout of ticket machine and web screens, which are managed individually by train companies and other ticket retailers, **we continue to encourage retailers to pursue their own improvements** to complement those being made network-wide. Some train companies are already going further (see Figures 5 & 6 below).

East Coast – Improved ticket machine screens and web pages

East Coast is working with its supplier to update its ticket machines to provide more information and in a more intuitive format, for a trial starting early next year.

The aim is to give passengers more of the information they could normally expect to get from a ticket office, with greater clarity about their options in terms of price, flexibility and time.

East Coast will also be updating its website to provide clearer information on Advance tickets and the "booked train only" restriction that applies to this ticket type.

The "booked train only" restriction will additionally be highlighted at the payment stage. This is planned for the end of the year.

(Images are for illustrative purposes only and subject to development change. Pictures © East Coast)

Figure 6- Improved East Coast ticket machine
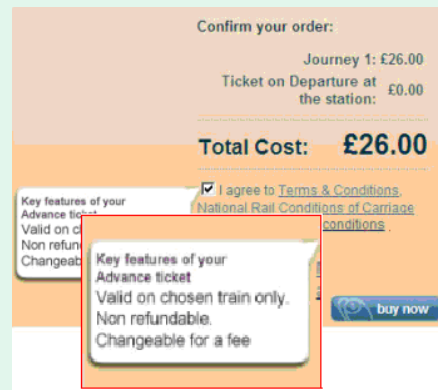
Figure 5 - East coast website

3.96 Looking ahead, manufacturers are developing new ticket machines that seek to address the issues passengers have raised, especially around screen layout and the way the customer is guided through the process of buying a ticket. The aim is to use new technologies to increase ticket machine functionality and so close the gap to the level of service currently provided by ticket offices. In future a real possibility is the rollout of "virtual" ticket office machines with a video-link to a member of staff located remotely to provide extra assistance where needed.

Southern – Ticket machine enhancements

Southern has made or is planning a number of enhancements to its ticket machines to improve the customer experience:

- A new "Shopping Basket" function, similar to online retail, to allow customers to buy several different tickets and use different railcards in a single transaction.

- A scrolling message along the top of ticket machine screens to provide additional information or alerts for example to special events or disruption that could affect travel, tailored for each station.

- An option to view the "next five trains" to their destination – timetable as well as fares information.

- The ability to buy tickets for journeys starting from a different station.

- Automatic issue of a "permit to travel" if the ticket machine cannot accept payment (and other retailing facilities are unavailable).

- Ability to pay for station car-parking at a ticket machine.

3.97 All of these measures should help to make buying a ticket from a ticket machine smoother, faster and more convenient. They are good examples of the type of improvements that train companies should be considering, to deliver high-quality customer service and encourage even more passengers to try out faster and more flexible self-service ticketing options, so that operational efficiencies can be realised. The measures described above are clear indicators that the rail industry is taking this issue seriously and that progress is being made. We expect to see further innovative proposals in new franchise bids and as a result of the changes we are making to ticket office regulation.

3.98 We believe that this incremental, tailored approach is the best and most cost-effective way to secure the improvements to ticket machines and websites that we want to see. Specifying in detail how train companies should upgrade their ticket machines would run the risk of Government specifying potentially obsolescent technology, and/or enshrining a level of performance beyond which operators saw no further need to innovate and improve. Instead we want train companies to have the flexibility to tailor their ticketing package to local needs, and the incentive to drive continuous improvement in customer service.

Ticket machines - here to stay

While we welcome the flexibility for passengers that new ways of buying tickets provides, ticket machines are likely to remain a convenient option for many passengers for the foreseeable future. In future we can expect to see different types of ticket machines to meet different customer needs.

Queue busters – Machines offering tickets for immediate travel will continue to play an important role, in busy stations perhaps complemented by other types of machine as described below. However, information will have been improved to make them easier to use.

Next-generation – We expect the next generation of ticket machines to offer more of the functions of a ticket office or website, such as journey planning

and handling complicated enquiries. A full "virtual" ticket office service could connect you on-screen to a member of staff in a remote location to guide you through your transaction or provide advice and assistance. To avoid build-up of queues, machines could even be "switchable" to provide a virtual ticket office service during quieter periods but revert to "queue buster" functionality during busier periods.

Ticket on Departure – With more and more passengers booking online and picking up their ticket at the ticket machine, train companies have begun installing dedicated Ticket on Departure machines to ease congestion at multi-functional machines. Ticket on Departure machines are smaller and simpler than multi-functional machines and can be more easily installed at locations away from the station such as universities, airports, shopping centres or even on the premises of a large employer or business park.

"Smart" – where smart ticketing is offered, some ticket machines will be upgraded so that smartcard holders can use them to manage their account, for example to check details of tickets already on their card, as well as buying new tickets and loading them onto their smartcard.

Tickets themselves

3.99 **As an interim measure, passengers can look forward to the introduction of a much improved magstripe ticket with a progressive rollout** beginning in early 2014. Around eight billion of the familiar orange tickets have been issued since 1983 but it is time for a redesign **to provide more, better and clearer information for passengers**. The new magstripe tickets will:

- Have a clearer layout and be easier to read and understand;

- Include more information about the ticket and its validity, including any route restrictions and in some cases a definition of any time restrictions;

- For Advance tickets valid on a specific train only, the new tickets will state this restriction clearly, reducing the risk of ticketholders being "caught out" on the train with an invalid ticket because they did not fully understand this restriction.

New Magstripe tickets

Advance Single ●

From London Terminals
To Birmingham Stations
Valid on 19·Jun·13 Adult Standard Class with 16 to 25 Railcard
Valid only on the following services
London Euston → Birmingham New Street
19·Jun·13 10:43 Virgin Trains · Coach B Seat 17

Not refundable. Exchangeable for a fee before travel

£4.95 X 10457-5223-7217-44-01.00
1937:120613

Off-Peak Day Single ◆

Valid for one journey from Date of travel
Peterborough 12·Jun·13
To
London Terminals
Valid only on First Capital Connect services
This Off-Peak ticket can only be used at certain times
for details ask staff or go to nationalrail.co.uk L4
Under 16 year old Standard Class

Refundable and exchangeable for a fee

£12.95 X 10456-5223-7217-44-01.00
1937:120613

3.100 Ultimately we intend that magstripe tickets will be replaced with smart tickets (see Chapter 4).

Websites and Advance ticket information

3.101 Train retailers continue to improve their websites as they develop a better understanding of what their customers find useful. For example, many websites now have a "cheapest fare finder". However, we continue to hear complaints from passengers that they find buying tickets online confusing, or do not always understand ticket restrictions clearly.

3.102 We are pleased that ATOC is taking forward improvements to the information provided online, such as a clearer explanation of route options. The magstripe upgrade will also help passengers to better understand the restrictions of their ticket while single leg pricing has the potential to simplify website layout and design in future.

3.103 However we believe that train companies can do more to ensure that passengers understand the terms and conditions of their ticket, particularly in the case of Advance tickets which are valid on the booked train(s) only. We have challenged train companies to take action, and as

a result ATOC has agreed to enhance pre-journey information online and in stations to better ensure that passengers understand the terms and conditions of their ticket and ensure that they board their train with a valid ticket. This includes:

- The National Rail Enquiries website now has an expanded and updated "guide to tickets";

- an expanded and updated guide to tickets is also now available as a leaflet from stations;

- online "pop-ups" to highlight ticket restrictions before passengers make final payment; and

- pre-departure emails reminding passengers of these restrictions.

We also understand that National Rail Enquiries are developing a facility that will allow passengers to see which train their ticket is valid on across the entire day (currently it's restricted to 5 trains). This should much better information to passengers with regard to Off Peak tickets in particular.

More information about journeys and ticket restrictions

The National Rail Enquiries guide to tickets at www.nationalrail.co.uk/tickets gives passengers information on all aspects of tickets including:

- Ticket validity and restrictions

- Permitted routes, including when crossing London

- Making clear which stations tickets are valid to when travelling to London

- National Rail Conditions of Carriage

- Passenger's Charter rights and information on passenger compensation arrangements

This information source is being highlighted on tickets, websites, leaflets and elsewhere and should provide a valuable resource for passengers

Next steps - improving current ticketing

Ticket-buying habits are changing and it is vital that our railways move with the times. We have set out the measures that we believe are necessary to improve current ticketing systems, ensuring that passengers receive the same, or improved, levels of service and encouraging even more passengers to switch to more modern and flexible ways of buying tickets that are also more cost-effective for all of us.

We are pleased to see the rail industry making improvements but we will, together with the ORR, continue to monitor progress closely to ensure this momentum is maintained with further improvements to benefit passengers.

And we believe that this will give passengers a better deal.

However, this review is an initial step and there will need to be close and co-operative working between Government, the rail industry and rail passenger groups in order to see our aims realised. That is why we will instigate a ticketing working group to consist of key stakeholders such as ATOC, the Rail Delivery Group, Passenger Focus, the ORR and others to make this happen.

These changes will make it quicker and easier to buy and use tickets, but even these improvements will not make our ticketing system as modern and sophisticated as we would like it to be, and passengers increasingly expect.

Delivering a seamless ticketing system fit for a modern railway will require further improvements over the longer term. The next chapter sets out our strategy for delivering a new system of "smart" ticketing.

4. Building the smart ticketing system of the future

Summary

We want to use technology to make it as easy as possible for passengers to pay for rail travel, and to drive down the cost of providing ticketing services, which falls to passengers and taxpayers.

In London, smart ticketing has already largely replaced paper ticketing, bringing passengers the benefits of speed, convenience and flexibility. In future, smart ticketing on the national rail network will allow passengers to undertake their whole journey using a single smartcard, bank card or mobile phone. We have already started introducing smart ticketing and expect to see a gradual transition from paper to smart over the coming years.

We also want to use smart technology to introduce new ticket types which better meet today's patterns of work and travel, and encourage more efficient use of the transport network.

We plan to deliver smart ticketing in three broad phases:

1. The South East Flexible Ticketing (SEFT) Programme, which will include pilots of flexible tickets, and which is already underway;
2. Subject to the success of SEFT and future funding, further targeted delivery programmes, likely to be based on cities outside London with a significant rail commuter base, from 2015-16;
3. Smart enablement of the rest of the rail network in England.

Once the network is fully smart-equipped, we can realise the full potential efficiencies of smart by withdrawing magnetic stripe paper tickets subject to the considerations detailed later under Delivering our vision. We expect this transition to be complete within 10-15 years.

This is a complex delivery programme requiring cooperation between train operators, Government and TfL. However, by moving away from the current franchise by franchise approach, this represents a new strategic direction for delivering smart ticketing, which we calculate can achieve economies of scale and a better integrated system. Our learning from SEFT will help us develop this strategy further.

Barcode ticketing also has an important role to play. We encourage operators to consider offering barcode ticketing where it can make things easier for passengers and reduce costs. This is more likely to be the case for longer-distance travel.

Introduction

4.1 Modern technology has the potential to transform how passengers buy train tickets. We want to make the process of paying for journeys as easy as possible, learning from best practice within GB rail and other sectors such as airlines, event ticketing, banks, contactless payments and retail.

4.2 For the customer, new ticketing technology offers much greater convenience – managing a travel account online, picking up tickets automatically at a ticket gate, or using a mobile phone to buy and load tickets. This means less time queuing at a ticket office or machine.

4.3 For train operators, this can reduce the cost of collecting payment and selling tickets – savings which can be passed back to the passengers and taxpayers who fund our railways.

4.4 New ticketing technology can also transform what *type* of tickets we buy, by providing the platform for new ticket types that better reflect today's travel patterns and encourage more efficient use of the network.

4.5 This chapter sets out our strategy for building the smart ticketing system of the future for our rail network. But first, it explains a little about some of the different types of technology involved, and how each can benefit different groups of passengers. For example, frequent rail travellers have different needs and preferences from less frequent or occasional users, and our aim is to ensure that we use technology effectively to benefit both.

Future technologies

Smartcards and smart tokens

4.6 Unlike a printed paper ticket, a smart ticket is stored electronically. It is smarter than a paper ticket because it can be updated after it is bought, giving passengers greater flexibility.

4.7 With most current smart schemes, the ticket is stored on a microchip embedded in a smartcard. Both the Oyster scheme in London and the national ITSO smartcard standard currently work in this way. The smartcard model has proven very popular, although smartcard does not necessarily mean pay-as-you-go: there are alternatives which may be better suited to less frequent or longer-distance travel, explained later in this chapter.

4.8 In the near term, smart ticketing on the rail network means ITSO smartcard ticketing. ITSO was designed to provide an open, interoperable and national ITSO specification which can accommodate the full range of transport ticket types on train and bus. Current smart

ticketing schemes use ITSO and **we will continue to use the ITSO specification**.

4.9 An alternative model is for the passenger to carry a token which is linked to a ticket or account stored in the smart ticketing back office system. As the back office calculates the correct fare, the token does not need to carry any transport-specific data. This means the token could be an ITSO smartcard or it could be a contactless bank card or anything that is recognised by a smart reader on platforms and ticket gates.

4.10 A back office has considerably more processing power than is available on a smartcard, which could:

- Allow more sophisticated tickets to be developed;

- Facilitate better integration of schemes, as settlement of payments (between passenger and train operator or another ticket retailer such as thetrainline.com, and between different train operators) can be calculated between back offices;

- Potentially allow for a move away from traditional single ticket purchases towards travel accounts, similar to mobile phone accounts, for example. Accounts could allow for payment before or after travel, depending on the needs of the customer and train operator.

4.11 The token and back office model requires more development before it can be implemented on GB rail. It would need improved communications systems between readers and the back office and a more powerful fares engine (which calculates the fare payable) to link data sources. But much of the basic equipment is the same, and ITSO smartcards can themselves function as tokens. Given the increased processing capabilities and potential benefits for passengers, we are keen to explore the possibility of migrating to a token and back office based system in future.

Contactless bank cards

4.12 Contactless bank cards – also known as cEMV[42] – are becoming more common. Using them for transport would be good for passengers, who would no longer need a separate smartcard for transport, and would avoid the cost of operators issuing bespoke smartcards.

4.13 As part of its Future Ticketing Project, TfL has plans for passengers to be able to use a contactless bank card to tap in and out on the services it operates such as London Underground and the rail network in London. The system will then calculate the fare to be paid. This operates much like pay-as-you-go, but without the need to top up in advance.

4.14 We agree that this has potential for local transport networks, but it is clearly less suitable for longer-distance national rail services where fares

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[42] cEMV stands for contactless Europay Mastercard Visa, who developed the contactless standards

– and the financial risks to both parties – tend to be higher, and where prices also vary depending on the type of ticket.

4.15 It may be possible to link a bank card to a travel account for travel within a defined area, registered in advance with a train operator. This way the train operator knows the customer and his or her credit-worthiness, while the customer is more likely to have some expectation of costs for journeys within that defined area. This could work in the manner of a mobile phone contract, with different types of accounts to suit different passengers' travel needs.

4.16 An alternative option more suitable for national rail could be for passengers who buy tickets online to use the bank card they paid with to get through the ticket gate, avoiding the need to collect tickets from the station or print at home. This would be of most benefit to longer-distance travellers, who are less well served by current smart ticketing schemes. It would also be possible for passengers to select an existing smartcard as a token instead of the bank card. This would allow them to use their smartcard for a travel account which they use each day to get to work, and to load tickets booked in advance for longer-distance trips onto the same card. Further work is however needed to allow contactless cards to be used as tokens in this way.

4.17 Given the potential of bank cards in the future, **we will require that all new readers must be capable of recognising both ITSO smartcards and contactless bank cards**. These dual readers are already becoming the market standard, and this step will facilitate the future use of contactless bank cards for ticketing.

Near Field Communications (NFC) technology

4.18 NFC technology allows a mobile phone to take the place of either a smartcard or a contactless bank card. Passengers can check stored tickets and supporting information on-screen, for instance, seat reservations, timetables and real time travel information. There is also the potential for over the air ticket purchases, which allow tickets to be sent directly to the phone.

4.19 NFC technology could also enable handsets to read what is loaded on a smartcard and load a ticket purchased via the phone onto a smartcard. This could benefit passengers who are not comfortable presenting their phone at a ticket gate, and would allow train companies to check tickets using mobile phones rather than more expensive bespoke devices.

NFC ticket: irregular user

Passenger A only occasionally takes the train. When he does, he needs to check the times and the best routes for his journey. He uses his NFC enabled smartphone to plan his route and then buy his ticket online. The ticket is sent directly to his phone and he can check the time and seat reservation as well

> as details of his route. He also gets live travel updates on the day of travel. When he arrives at the station, he holds his phone against the reader at the ticket barrier, just as he would a smartcard.

4.20 NFC handsets are already available from a number of manufacturers (including newer Nokia, Blackberry and Samsung models), but a number, such as the iPhone, do not as yet include the technology.

4.21 The key barrier to taking up NFC more widely appears to be the evolution of the business structures which support the delivery of applications and payments over the air and the need to ensure that there is a good business case for all participants in the process. As transport is only one potential market for NFC, this is a wider issue involving handset manufacturers, network operators and retailers across a number of sectors.

4.22 **To help open up NFC for transport we continue to engage with the NFC Steering Board**. In order not to unnecessarily confuse customers, we will look to ensure that in developing standards around the customer experience for NFC applications, customers are not faced with a number of different ways of carrying out the same transaction.

Barcodes and Quick Read (QR) Codes

4.23 Smartcards and NFC phones are not the only technologies which could improve ticketing for passengers. Barcode technology is already used for tickets on rail and in other industries. They can be printed at home or sent to a mobile phone and displayed on the screen. The ticket is then presented to a scanner at a ticket gate, similar to a barcode being read at a shop checkout. Both options are starting to become popular for intercity trips where passengers book in advance.

4.24 QR codes (effectively square barcodes, which can hold more information) are a common sight on posters as well as tickets and vouchers.

4.25 We do not believe, however, that barcode tickets are likely to be the first choice for all journeys. They are not as secure as smart, and do not facilitate the same range of ticket options. We also have some concerns about how quickly passengers can pass through ticket gates using them. This may not be a problem on some routes, but could be of concern if large numbers of passengers on busy commuter routes wanted to use barcode tickets. There would also be challenges in fully integrating barcode ticketing with the TfL network including London Underground

4.26 Despite their limitations, where barcodes are suitable they can be extremely effective. They can play an important part in making ticketing easier for customers and are best suited for less frequent and longer journeys which passengers prefer to book ahead. Mobile barcode ticketing can also be the first step towards passengers using a mobile

phone for the entire process of paying for travel, not just receiving the ticket.

4.27   A number of operators have already invested in barcode ticketing, and we encourage operators to consider offering barcode ticketing where it can make things easier for passengers and reduce costs.

Summary – Future technologies

- ITSO is the core smart technology. At present, its greatest potential is for short-distance and commuting trips. Over time we expect to see a move towards a smart token model, with benefits for longer-distance, less frequent journeys too.

- cEMV bank cards can give customers even greater convenience and help make savings in the cost of running our railways. We will specify that any new readers must be dual ITSO/cEMV readers, to future-proof investment and facilitate rollout.

- NFC phones can enhance smart functionality without infrastructure upgrades. We will engage with the NFC Board to help unlock NFC for transport ticketing.

- Barcodes can complement smart and improve customer service.

- We want to see the phasing out of magnetic stripe tickets within the next 10-15 years to reduce the cost of running our rail network, but without reducing customer service.

Our vision for the future

4.28   We expect that in future, passengers will be able to choose from a range of technologies to suit their needs. The technologies described above can complement each other, with some more suited to certain travel patterns and parts of the rail network than others.

4.29   Long-term, we expect smart technology, which includes ITSO, cEMV and NFC, to be dominant, with passengers having the choice of using their mobile phone, bank card or smartcard to travel. With the developments outlined above, smart technology can improve customer service and help reduce the cost of running our railways. Smart has the potential to provide the long-term industry standard that can be the successor to magnetic stripe tickets. It also has the greatest potential to deliver new, flexible tickets. For these reasons, we will continue to focus our efforts on delivering smart ticketing.

4.30   In the medium term, we expect that smart ticketing will be of greatest benefit for short-distance and commuter travel. Our delivery strategy for smart ticketing, as set out below, therefore focuses on the areas where these types of journeys are most likely to be made – likely to be the major metropolitan areas – to allow us to get the most benefit from our investment.

4.31 However, barcodes (both print at home and mobile barcode ticketing) will have an important role to play in improving the customer offer, particularly for longer, less frequent journeys which are booked in advance.

4.32 We have engaged extensively with private and public sector partners to develop this vision. We want to work closely with both as we collectively deliver a smarter future.

Delivering our vision

4.33 Delivering smart ticketing will take time. Our delivery plan can be broadly split into three phases:

- **Deliver the SEFT Programme.**

- **Further DfT-led smart delivery programmes centred on towns and cities with a large rail commuter base, from 2015-16 onwards.**

- **Complete the smart enablement of the network.**

4.34 Once the network is fully smart equipped, we can realise the full potential of smart technology by withdrawing magnetic stripe paper tickets subject to the considerations detailed later in the section. We expect this transition to be complete within 10-15 years.

4.35 Each phase will be dependent on the successful delivery of the previous phase, and on developing a compelling business case once we have defined the scope of each delivery programme in detail.

Phase 1: Delivering the SEFT Programme

4.36 Our immediate goal is to deliver the £45m South East Flexible Ticketing (SEFT) programme, which is already underway. This will deliver a step change in smart ticketing coverage on rail, and inform our future strategy for smart ticketing.

4.37 Working with 12 train operating companies, ATOC and TfL, the programme will introduce ITSO smart ticketing to around 300 stations (as shown on the map below). When complete, the programme will cover up to 180 million journeys per year and some of the busiest commuter routes in the country.

4.38 The programme will allow passengers in the South East of England to enjoy the benefits of smart ticketing, such as automated ticket purchase and collection, including season ticket renewals. We expect that SEFT will roll out smart ticketing route by route, starting in 2013, and for all travellers in the South East to have the option of a smart rail season ticket in 2014.
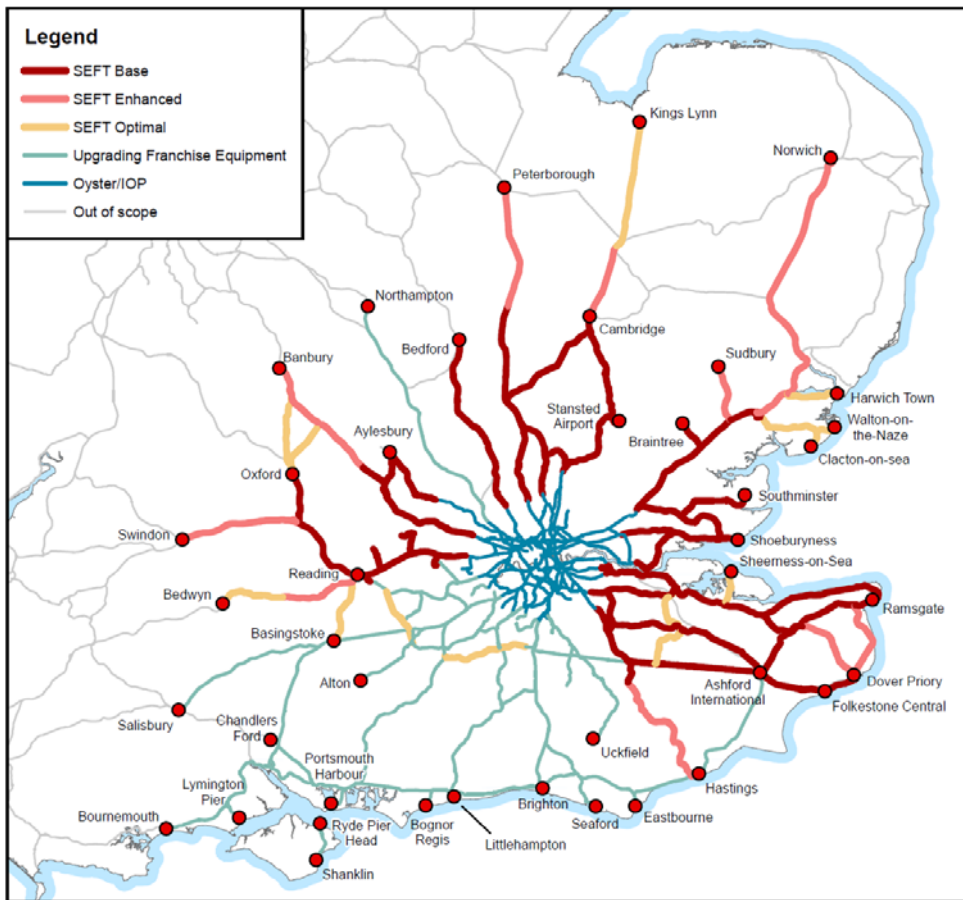
4.39 Train operator c2c, which operates between London Fenchurch Street, Shoeburyness and the Essex coast has already committed to upgrading ticketing systems at all of its stations outside London with smart compatible technologies. This pilot will allow passengers to start using smart cards on services outside London from January and those in to the capital from April - this represents a positive start on our road to realising our vision on smart ticketing.

Smartcard season: regular urban commuter

Passenger B commutes every day using a season ticket, which is loaded onto his smartcard. He never has to replace his worn out paper ticket, and he can get through the ticket barriers faster. In addition, Passenger B is now rewarded for travelling on less busy trains. When he avoids the busiest trains, he builds up a discount toward his next season ticket. He can still travel on any train when he needs to, but he has an incentive to catch an earlier or later train when he can.

4.40 The SEFT programme builds on our existing investment of around £60m to upgrade London's Oyster equipment and enable ticket barriers at London stations to read ITSO smart tickets, due to be completed by December 2013. This will allow rail passengers to use their ITSO smartcards for travel across London on the TfL network, opening up new options for smart travel on rail.

4.41 In line with our technology strategy, we intend to procure dual ticket readers capable of recognising both ITSO smartcards and contactless bank cards.

4.42 Although SEFT will initially deliver smartcard ticketing, our expectation is that in time it will be able to accept smart tokens. The readers and cards will be compatible with either set-up.

South East Flexible Ticketing (SEFT) Programme Scope

Legend
- ▬ SEFT Base
- ▬ SEFT Enhanced
- ▬ SEFT Optimal
- ▬ Upgrading Franchise Equipment
- ▬ Oyster/IOP
- ▬ Out of scope

"SEFT Base" represents the minimum geographical area that the rogramme intends to cover.

"SEFT Enhanced" represents those additional routes that will be included in the scheme if sufficient funds are available once the central architecture and the Base stations have been funded.

"SEFT Optimal" represents further additional routes and forms the largest likely geographical extent of the programme.

"Upgrading Franchise Equipment" signifies that ITSO equipment has been installed as a result of a franchise commitment but requires upgrading in order properly to function as part of the SEFT scheme.

"Oyster/IOP" represents those stations that are part of TfL's Oyster estate and have had their Oyster readers upgraded to read ITSO cards as part of the ITSO on Prestige programme.

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Department for Transport gisu1112j124

Trialling new tickets

4.43 Smart technology can also facilitate new, more flexible tickets which meet modern customer travel patterns.

4.44 Some of these tickets are already familiar to many passengers, such as TfL's Oyster, which has proved so popular in London. For many Londoners, Oyster is synonymous with Pay As You Go, but smart technology can facilitate a whole range of ticket types. For example, it can allow passengers to be rewarded for avoiding the busiest trains, or can facilitate tickets which are only activated on the day they are used rather than being for a set time period. Other approaches may be more appropriate for longer-distance travel.

4.45 Train operator Southern has an obligation as part of its franchise to trial flexible ticketing options. Southern plans to trial a carnet offering five days of travel, which do not have to be used consecutively, for the cost of a weekly season ticket, and discounts for avoiding travelling during the peak. The pilot will begin in 2014, though the number of passengers will be limited.

Smartcard carnet: part-time commuter

Passenger C commutes to the city centre from a nearby town most weekdays, but her work patterns are flexible. Catherine has a smartcard and uses her online account to buy and manage her tickets. She chooses a carnet - a set of single tickets which is cheaper than buying the same number of tickets individually. By tapping in and out when she travels, she uses one ticket from her carnet for each journey. This fits in with Passenger C's flexible travel patterns better than when she had to choose between a monthly season ticket and day tickets.

4.46 We want to use SEFT for further trials of flexible ticketing products. Details will need to be developed further with train operators, but we anticipate trialling new ticket types on one or two selected commuter routes into London. See Chapter 2 for more detail.

A new strategic approach

4.47 In the past, we have required all new franchises to deliver individual smart ticketing schemes. However, it has become increasingly clear that it will be challenging to integrate smart schemes that are delivered on a train operator by train operator basis.

4.48 For the SEFT programme, we are working in partnership with several train operators and the lead local transport authority to deliver smart ticketing over a large interconnected area. Bringing all of these different interests together is challenging, but early indications are that it will deliver better outcomes for passengers. A co-ordinated programme can achieve economies of scale for procurement, and provide unified systems which can more easily facilitate interoperable and through ticketing on smart.

Phase 2: Targeted Delivery

4.49 If the challenges to SEFT are overcome, we believe targeted delivery, led by the Department and based around towns and cities with a significant rail commuter base, could be the most effective model for delivering smart ticketing in other parts of England.

4.50   A targeted approach would allow us to focus delivery on the areas which can deliver the greatest benefits and the best return on investment – likely to be larger cities with a large rail commuter/frequent traveller base in the first instance.

4.51   We remain committed to rolling out smart infrastructure across the national rail network and **will therefore seek to invest in similar programmes in other parts of England** from 2015-16 onwards, shaped by our learning in the South East and subject to securing the necessary funding at the appropriate time.

4.52   A programme of DfT-led, targeted delivery could either wholly replace the existing franchise by franchise model, or be supplemented by some in-franchise requirements. The precise approach will largely depend on our learning from SEFT, and analysis of the business cases following more detailed planning. For the current process of interim arrangements for rail franchises- the Direct Awards (DA) - we expect to build obligations into these to co-operate with and continue to deliver the SEFT programme.

4.53   Targeted smart ticketing programmes could also help deliver more integrated, multi-modal ticketing schemes in towns and cities. A number of cities have plans for multi-modal smart ticketing schemes, including local rail. Future DfT-led delivery programmes could link in with these local schemes - our work with Smart Cities (the Department's partnership to support nine cities/city regions in England to deliver and enhance smart, integrated ticketing schemes) will be important in the strategic planning. We would expect to include local transport authorities in delivery, just as TfL is involved in SEFT.

4.54   In this way we could deliver integrated, multi-operator and multi-modal ticketing to our most populous areas and, potentially, enable the busier commuter areas to take advantage of flexible tickets. This would help make more effective use of the network and support workplace participation.

4.55   The Department has published its timetable for awarding future rail franchises (https://www.gov.uk/government/publications/rail-franchise-schedule). As noted above, our experiences delivering SEFT will help shape the future balance between direct action and in-franchise requirements. The precise franchise specifications will be tailored to each individual franchise. We expect that the franchises within the SEFT footprint will be required to continue to co-operate with and conclude delivery of SEFT. We also intend to continue to require franchises to co-operate with local authority led smart schemes.

Smart ticketing in West Yorkshire

Metro in West Yorkshire this summer launched its new smartcard which will make travelling on public transport easier. Passenger will be able to use the MCard across all train and bus networks in the county. The card will be rolled out over the next two years and is a joint venture between bus and rail operators, Metro and the Department for Transport, who together have provided over £13 million funding for the programme. A wider range of outlets will sell MCards, with the option to buy online as well. For more information, see www.MCard.co.uk

4.56 Our strategy should not delay local authority or city plans to work with train operators to introduce smart ticketing. Any city-led schemes are likely to cover a smaller area than any future DfT-led delivery programmes and as long as they are fully interoperable, there is no reason why different schemes cannot be delivered at different times. We expect new franchises will continue to include co-operation clauses requiring train operators to engage with locally delivered smart ticketing schemes.

Phase 3: Full smart enablement

4.57 Subject to successful delivery of further smart programmes, and development of smart technology applicable for every use case, we want to complete the smart enablement of the rail network.

4.58 How we do this will be shaped by our learning from previous roll-out phases. It may be that TOCs are best placed to complete the smart enablement of their networks not already covered by a DfT-led programme or that further DfT-led programmes are the best way to proceed. We will make this decision at the appropriate point.

4.59 Smart enabling the entire network will allow all passengers to complete any rail trip using the same smartcard, or – assuming the development we expect to see – their bank card or mobile phone. As we expect local transport networks to become fully smart equipped in time, and because Scotland and Wales also use the ITSO specification for smart ticketing, this could also enable seamless travel across public transport across the whole UK.

Withdrawal of magnetic stripe

4.60 Magnetic stripe tickets are the current industry standard. However, new technology has the potential to provide new, better and less costly standards which can make magnetic stripe tickets redundant. Our aspiration is to withdraw magnetic stripe tickets, but we will only do this once alternative systems are in place.

4.61 This is not about swapping one technology for another. It is about changing the way we pay for travel on the railway. We want to move people onto sales channels and technologies which fit in with their lives. At the same time, we can also help to reduce the cost of revenue collection, which benefits operators, passengers and taxpayers. In this respect, barcode ticketing, while not the ultimate successor to magnetic stripe tickets, can have an important role to play by helping passengers become comfortable with using their mobiles and buying online for longer distance travel in the same way that smart is doing for urban travellers.

4.62 Withdrawing magnetic stripe will be a very significant undertaking. We will need industry and passenger support for it to be successful. There are a number of conditions which will need to be met, including (but not limited to) successful roll-out of smart equipment and moving the majority of customers onto other ticketing technologies. We want to engage with industry now to start planning the withdrawal and to identify these conditions as part of our planning.

4.63 Our initial assumption has been that, to maintain the network benefits of through ticketing and inter-availability (customers can buy a single ticket to travel between any two stations on the network), another universal technology has to be in place before we can withdraw magnetic stripe tickets. As part of our planning, we would like to test this assumption with the rail industry and passenger representatives. If we are able to remove the costs of magnetic stripe ticketing earlier, while maintaining customer service, we will look to do so.

4.64 Technology will change the way in which passengers pay for rail travel. It is an important factor in reducing the cost of the railway, but also brings passengers many benefits, including speed, convenience and flexibility. As more and more people begin to use smart technologies to make their journeys instead of paper tickets, they will enjoy new ticket types which are in line with today's work and travel patterns. Through cooperation between train operators, government and TfL, we will build on a new strategic direction for smart ticketing and achieve economies of scale within a better integrated system

5. Conclusion

5.1   The publication of this Fares and Ticketing Review is not the end of the process.

5.2   We will now be taking forward the policies in this document in partnership with stakeholders – including train operators, the ORR and the devolved administrations in Scotland, Wales, London and the PTEs.

5.3   We are grateful for the constructive engagement with all those who have contributed policy suggestions for this document as part of the consultation exercise and throughout.

5.4   Rail fares form an important component of household expenditure for many families, and it is vital that we strike the correct balance between fairness for those commuters and for the taxpayer, as well as ensuring that long-distance and leisure passengers continue to benefit.

5.5   The railways must continue to modernise, and we have spelled out in this document some of the ways in which we expect this to happen – through fairer fares structures, a more modern ticketing system, clearer information for passengers, while also securing the efficiencies that we consistently need to achieve to deliver a sustainable railway.

5.6   It is likely that there will always be a need for significant government subsidy for the railways – but the package of measures contained in this review is one that can be delivered in a financially sustainable way, without imposing large further calls upon the taxpayer.

5.7   The story of the railways continues to be one of success, with passenger numbers doubling since privatisation, and the programme of infrastructure investment more ambitious than at any time since the age of steam.

5.8   With rail demand only forecast to grow, and exciting projects such as Crossrail and HS2 set to revolutionise the landscape of rail in this country, the story of the railways in Great Britain continues to unfold.

5.9   As the vision for fares and ticketing in this document is implemented in the coming years, we can be confident that we have a structure that fulfils the needs of passengers, further cementing the UK rail network as one of the best in the world.

Annex 1. Terms of Reference

In line with the Government's objectives for a safe, customer-focused rail system that supports a growing economy while delivering value for passengers and taxpayers:

- To consider whether rail fares and ticketing regulation remains fit for purpose and to identify options for improving it to:

    - better serve the needs of passengers;

    - encourage operators to make better use of capacity; and

    - drive down the cost of the railways to remove obstacles to future passenger growth.

- In particular to make recommendations for reform which:

    - maximise the opportunity presented by smart ticketing technology to improve the ticket-buying experience for passengers and better serve the needs of the many commuters who no longer work the "traditional" 9am-5pm, Monday to Friday, as well as rewarding other commuters for avoiding the very busiest periods;

    - address the shortcomings of a system that many find complex and confusing to make it more user-friendly; and

    - permit a more flexible and responsive fare system with the ability to spread demand more efficiently across the day.

To make recommendations for implementing these reforms.

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Annex 2. Summary of Consultation responses

Summary of consultation responses

To gain evidence to inform this review, we consulted on our initial proposals from 8 March to 28 June 2012. The responses received have informed the work we have carried out as part of the review, for example:

- we asked people about current flexible working practices and how this affects rail commuting, and we followed this up by commissioning new market research into the scope for flexible working in future;
- we asked people how we could achieve more efficient use of rail capacity on intercity services, and we followed this up by commissioning new analysis of passenger preferences when faced with a choice of intercity fares with varying prices and restrictions;
- we asked people what features they felt were important for a smartcard, and we followed this up by commissioning new research by Passenger Focus into what passengers want from smart ticketing.

A total of 1,290 responses were received, of which 477 using our online response form which took respondents through a series of structured questions to elicit their views on key fares and ticketing issues – this proved successful with many respondents providing full and detailed answers to a range of questions. Of these 477 responses, 113 were from organisations as listed below with the remainder from individual members of the public.

ADEPT
Arriva UK Trains Ltd
ASLEF
Association of Community Rail Partnerships
Association of Public Transport Users
Association of Transport Coordinating Officers
Atherstone Rail Users Group (Trent Valley, WCML)
ATOC
Bedford Borough Council
Birmingham City Council
BRfares.com
Bring Back British Rail
Bristol Climate Rush
Buckinghamshire County Council
Campaign for Better Transport

Campaign for Rail
Centro
Chiltern Railways
City & County of Swansea
Consumer Focus
Cornwall County Council
CrossCountry
Davenport Station users group
DB Schenker
Derbyshire County Council
Disabled Persons Transport Advisory Committee
Dorset County Council
East Surrey Transport Committee
East Sussex County Council
Edenbridge & District Rail Travellers' Association
Essex County Council
Exeter City Council
Fair Fares Now
First Group
Freightliner
Gatwick Airport Ltd
Gloucestershire County Council
Go Ahead
Greater Anglia
Greater London Authority
Greater Manchester Chamber of Commerce
Green Party
Greenfield Rail Action Group
Guide Dogs
Hampshire County Council
Hertfordshire County Council
Influence – Swindon Local Enterprise Partnership
Kent County Council
Kent Green Party
Leonard Cheshire Disability
Liberal Democrat Parliamentary Party Committee on Transport
Lincolnshire County Council
Local Government Association Public Transport Consortium
London Assembly
London Borough of Bexley
London TravelWatch
Medway Council
NEC Group
Nestrans
Network Rail
Norfolk County Council
Northern Rail
North London Transport Forum
North Staffordshire Community Rail Partnership
Office of Rail Regulation
ONTRACK

Passenger Focus
Passenger Transport Executive Group
Peak District National Park Authority
Peterborough City Council
Planning Officers Society
Post Office Ltd
Powys County Council
Rail Future
Rail User Group
RailFareWatch
Reading Borough Council
Real Time Information Group
RMT
Royal Borough of Greenwich
Rushmoor Council Labour Group
Severnside Community Rail Partnership
Slaithwaite & Marsden Action on Rail Transport
Somerset County Council
South East Scotland Transport Partnership
South West Transport Network
Southend-on-Sea Borough Council
Stagecoach Group
Suffolk County Council
Sustaining Dunbar
Swindon & Wiltshire Local Enterprise Partnership
Swindon Borough Council
Tarka Rail Association
Tees Valley unlimited
Thurrock Council
Tonbridge Line Commuters
Totnes Rail Transport Group
Transform Scotland
Transport for Greater Manchester
Transport for South Hampshire
TransWilts Community Rail Partnership
TravelWatch Northwest
TravelWatch SouthWest
TSSA
Virgin Trains
Visa Europe
Wandsworth Council
Warwickshire County Council
Welsh Government
West Anglia Routes Group
West of England Partnership
West Sussex County Council
Which?
Wiltshire Council

A further 94 responses were received by email or letter. The remaining 719 responses were collected from members of the public and submitted by the

Campaign for Better Transport via their website. These responses were all from members of the public with wide experience of rail travel; many were commuters and used rail services frequently. Many of these responses incorporated the standard text suggested by Campaign for Better Transport on its website, which is reproduced at the end of this Annex along with a summary of the key themes from this particular set of responses.

Although not all respondents stated which part of the country they were from, among those who did there was a broad geographical spread from different parts of the country.

All responses were considered with a view to capturing individual points of interest as well as the broad themes across the responses as a whole. These key themes are summarised below, for the main groups of respondents in turn (passengers, business and the rail industry).

In addition to this public consultation we have had regular discussions throughout this review with Passenger Focus, London TravelWatch, Campaign for Better Transport, the Association of Train Operating Companies and the Rail Delivery Group, as well as with individual TOCs. These discussions have helped improved our understanding of passengers' main concerns on fares and ticketing and the rail industry's views on the most cost-effective ways to address these. As our work has progressed we have discussed our proposals. We have also met with other organisations, for example third party ticket retailers such as thetrainline.com. We are grateful to all of these organisations for their assistance.

Key themes – Passengers

The majority of responses came from members of the public and passengers.

Objectives of fares regulation
Passengers broadly felt that our objectives for fares and ticketing were the right ones, but some felt that current fare levels meant that some of these objectives were not necessarily being achieved.

Q1.1 Do you agree these are the right objectives? Is there anything we've missed?

9%

2%

18%

71%

- Agree
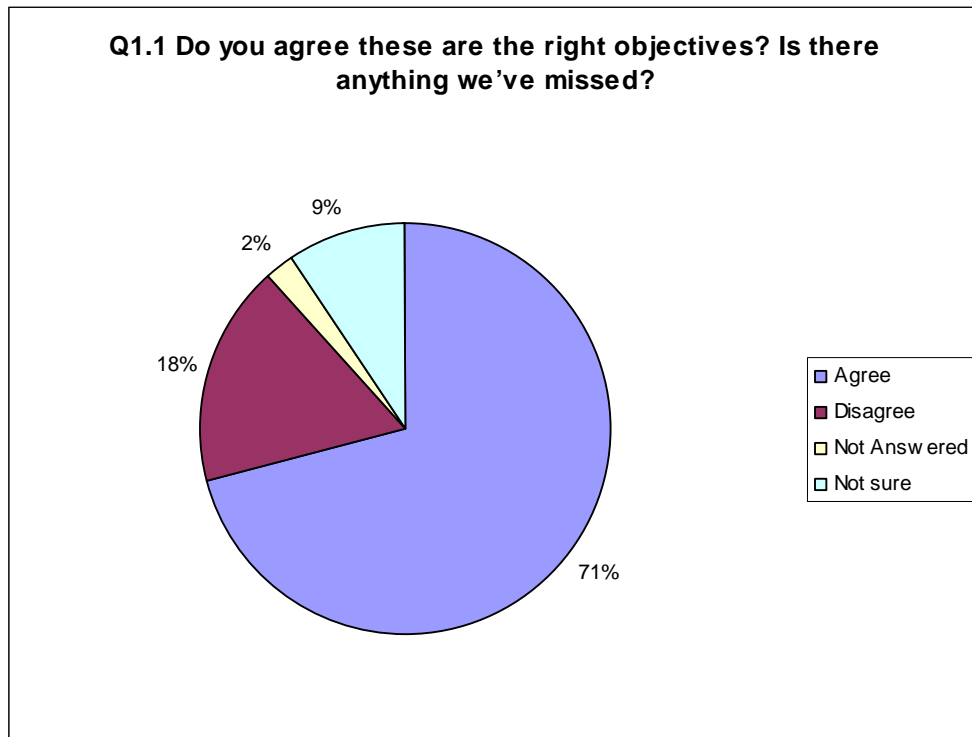- Disagree
- Not Answered
- Not sure

Figure 7 - Responses to consultation question 1.1

26% of respondents said that the number and range of tickets was confusing and should be simplified, with some suggestions that there should be just one type of fare for each journey with fares set on a mileage basis. 9% wanted better/clearer/more information about ticket options to help them buy the best-value ticket.

Smart ticketing
While some concerns were raised around data protection, responses were overwhelmingly favourable to the introduction of 'smartcard' smart ticketing with many respondents referencing the convenience and speed of London's Oystercard. Passengers in other parts of the country were very keen to see a similar system introduced where they lived. One of the main benefits associated with smart ticketing was being able to use a single smartcard to travel by bus and by train. The other perceived benefit for many respondents was being able to take advantage of discounted fares. These respondents are probably thinking about London, where Oyster fares are discounted compared to paper tickets – this was a decision by Transport for London and would not necessarily be replicated in all other smartcard schemes.
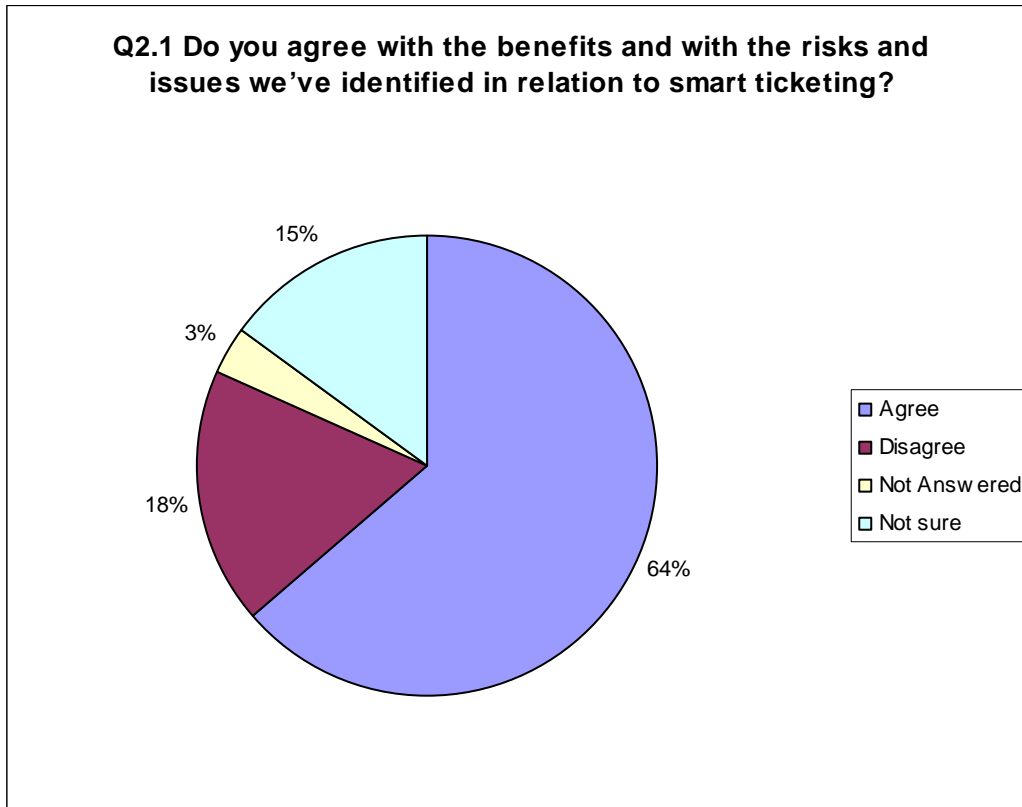
Q2.1 Do you agree with the benefits and with the risks and issues we've identified in relation to smart ticketing?

Legend:
- Agree
- Disagree
- Not Answered
- Not sure

15%
3%
18%
64%

Figure 8 - Responses to consultation question 2.1

Season tickets

It was striking that while passengers who held season tickets generally said they thought season tickets were too expensive, those who said they could not afford the upfront cost of a season ticket were more likely to recognise the considerable savings a season ticket offers. The need to pay upfront for an annual season ticket was cited as a barrier, with some passengers saying that if the cost was spread over the year they could afford it but their employer did not offer a season ticket loan scheme.

Which type of Season ticket do you hold?

3% 6%

27%

54%

10%

Annual
Monthly
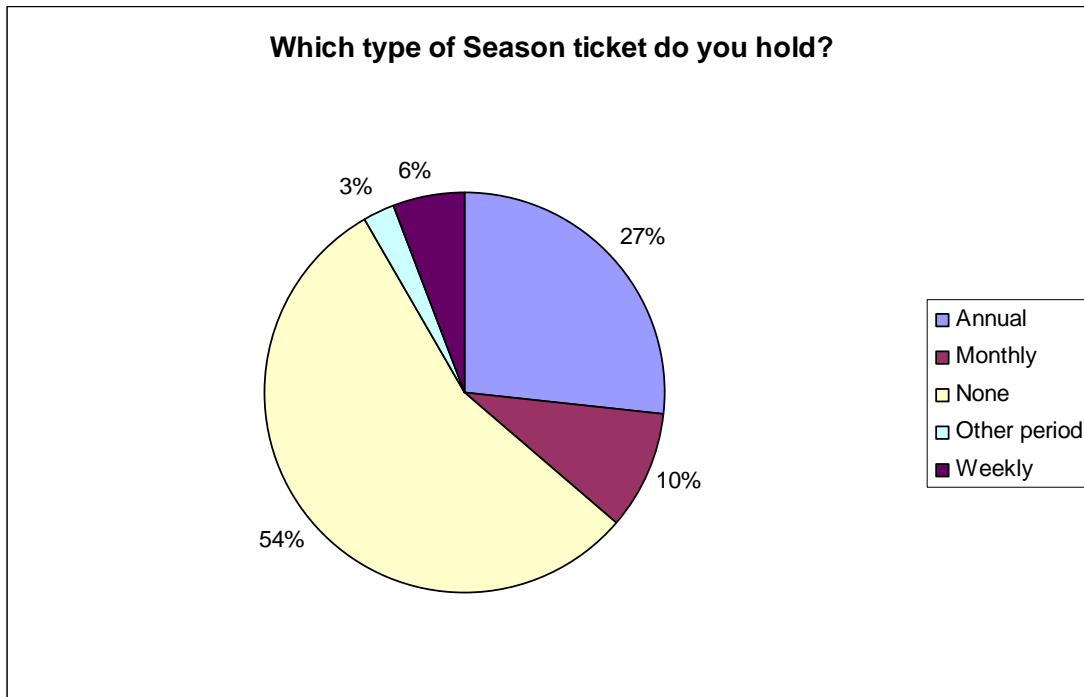None
Other period
Weekly

Figure 9- Responses to consultation question 7.9

Unsurprisingly part-time workers were strongly supportive of the possibility of a part-time season ticket that would cost less than a classic season ticket. 20% of respondents overall said they supported the concept of a part-time season ticket.

Commuter peak pricing

While some passengers recognised that charging different fares for travel at different times could help spread demand and reduce crowding, and some were open to the concept of discounts for travelling during the quieter parts of the rush hour, most were strongly opposed to any form of "peak pricing" that could mean passengers being asked to pay more than they do now. Passengers generally felt that commuter fares were already high so did not want to see further increases.

19% of respondents said that they would not be able to change the time they travelled to work in order to take advantage of any discounts offered for travelling during the quieter parts of the rush hour. Mostly this was because of childcare commitments or because their employer would not allow it, although a small number also said that as their train service was not very frequent this would be impractical as they would have to get up unacceptably early to take advantage of a discount.

21% of respondents were concerned that some commuters could be "priced off" rail under any system of "super peak pricing" (which the Government has already ruled out). Some respondents thought that peak pricing could have the biggest impact on lower earners who may have less choice about how they travel to work and less flexibility about starting and finishing times, while higher earners who would feel fare rises less were conversely more likely to have alternative travel options and flexible working hours, and this was perceived as

unfair. 11% of respondents thought that Government should do more to help people work flexibly.

Others thought that the fares structure was already complicated so it would not be a good idea to introduce new fare types that could complicate it further. Some passengers were also concerned that if different fares were charged at different times, it could be difficult to find out what fare they were being charged until they tapped in/tapped out which might be too late.

Intercity fares
Relatively few comments were made about intercity/long-distance fares other than on the level of some intercity fares for journeys made at short notice which was often felt to be unacceptably high. Some passengers commented that although discounted fares are available they often require booking ahead and that this is not always possible (or the preferred option).

Unsurprisingly, passengers supported the proposal that passengers boarding a train with an invalid Advance ticket be able to use their invalid ticket as part-payment toward the cost of a new ticket rather than having to buy a whole new ticket. There was limited recognition of any possible downsides to this.

Many passengers commented that it can sometimes be cheaper to buy a combination of tickets than a single through ticket and felt that these combinations should be offered at ticket offices/ticket machines/online rather than passengers having to research possible combinations. Others said this made the fares structure complicated and that they would like to see a simpler fares structure with one clear fare for each journey.

11% of respondents said that walk-up fares should be protected. While Advance fares have brought many benefits for passengers, Government accepts the need to maintain affordable fares for travel on the day and has already pledged not to abolish the walk-up railway – we will continue to regulate peak fares for commuters and off-peak fares for longer journeys.

Fares by region
Some passengers who travelled by rail in London and the South East of England believed they were paying higher fares than passengers in other parts of the country; that this meant they were effectively subsiding rail travel in other parts of the country; and that fares in other parts of the country should increase instead.

Buying tickets
We asked for ideas about how to reduce the significant cost of selling tickets through ticket offices without deterring passengers from using the railways. Several passengers stated this was not possible; 15% of respondents said that ticket offices should remain staffed. There was limited recognition of the costs associated with running a ticket office or the fact that these costs are paid for by passengers through their fares. However a significant minority of respondents said that they always buy their tickets online or at a ticket machine as they find it quicker and more convenient, so it would not matter if the ticket office closed as long as there was a member of staff at the station to provide help if needed.

Lots of people highlighted that having a staff presence at the station was important for helping them feel safe on the station, and that if the station were not staffed they would not want to use it after dark.

Many passengers said they found ticket machines confusing to use and said this was a problem especially if there were no staff on the station to help them as they would not be confident finding the right ticket from a ticket machine.

8% of passengers said it could be useful to have a wider choice of places to buy tickets (e.g. on the high street, at post offices), but the majority said they preferred to buy from the ticket office, ticket machine or online.
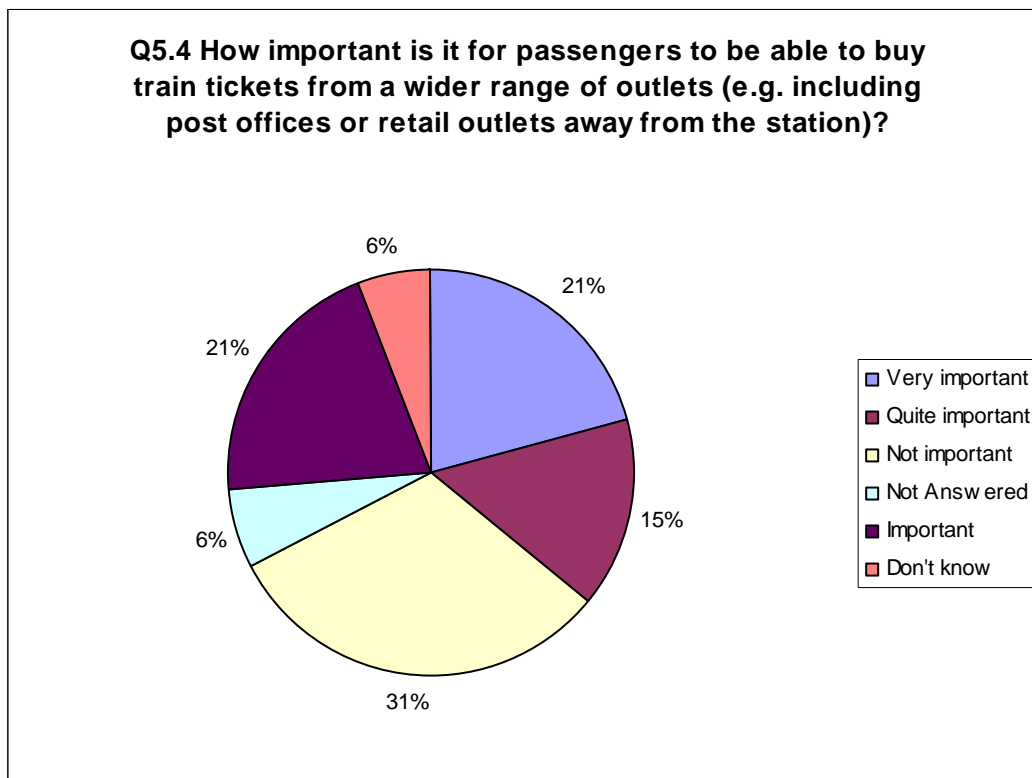
Q5.4 How important is it for passengers to be able to buy train tickets from a wider range of outlets (e.g. including post offices or retail outlets away from the station)?

- 6%
- 21%
- 21%
- 6%
- 31%
- 15%

Legend:
- Very important
- Quite important
- Not important
- Not Answered
- Important
- Don't know

Figure 10 - Responses to consultation question 5.4

Key themes – Business

A small number of responses were received from businesses and other employers. The comments made were remarkably similar to those made by passengers themselves, reflecting the fact that the key concern for businesses and employers is the availability of affordable transport for commuting and business travel.

Key themes – Rail industry

Responses from train operators & industry bodies.

In general train operators saw that the review of fares and ticketing offered a number of opportunities and challenges. This included ways dealing with the continued growth in passenger numbers, responding to changes in passenger behaviours, tackling costs, working within the current regulatory system, and developing a shared strategy to meet address these.

Smart ticketing

Train operators would like to see the 'smart ticketing' system rolled out across the national network. They pushed for a definition of smart ticketing that included not just smartcards but also mobile phones, print at home tickets and barcodes. This would further provide flexible travel choices for their customers and also saw that this also offered an opportunity to potentially address demand and capacity issues. Industry believed that the development of a longer term ticketing strategy, including on investment, would help underpin developments and progress in this area.

Regulation

Train operators agreed that much of the regulatory framework is justified but pushed for reforms tor commuter market regulation that would allow them to develop a wider choice of tickets for their customers. They also questioned the regulation of off-peak tickets on longer distance routes.

Cost savings.

It was thought that changes to fares and ticketing could bring about cost and efficiency savings that could benefit passengers, taxpayers and industry. Smart introduction had potential for long term savings through better use of capacity through demand management but also through the replacement of older technology. It was also made clear that there were clear opportunities to reduce industry retailing and ticketing costs.

Communication and retail technology

Train operators agree that innovative and better communication and retail technology should be developed and would benefit both passengers and the industry. They noted that the range of fares available is probably as simple as realistically possible, but that it was evident that some passengers found it difficult to understand the choices available, that there was a lack of consistency across channels, and there could be improvements to the way information was communicated. Some of this could be solved through technology and it was thought that the reform of the Ticketing and Settlement Agreement could enable industry to reduce costs and provide incentives for investment in new ticketing channels and improvements.

Split Ticketing

Train operators were concerned that further use of split-ticketing could make the fare structures even more complicated for their customers and possibly create financial difficulties for the rail industry and the taxpayer. Currently many people say that the current fare system is already too complicated. They state that further use of split ticketing could create more confusion.

Key themes - Passenger representative groups

Commuter pricing
It was thought that passengers must be incentivised to avoid travelling in the high peak, not penalised for doing so. This was of concern because those least able to avoid the high peak are likely to be the least able to afford a high peak premium. It was thought smart ticketing could offer passengers a number of potential benefits to reflect different travel pattern and tackle costs in future and the concept of a part-time season ticket was popular. However, there was also a general concern about the high level of fares on some routes.

Long-distance pricing
It was recognised that Long distance operators already use price to attract passengers out of the busiest periods to smooth demand. Continued regulation of off peak long distance fares was welcomed and contributed to the success of the "walk up" railway, and there was concern about any move to a largely "book –ahead" railway. Passenger groups also pushed for the creation of a National Railcard.

Ticketing complexities.
Passenger groups had concerns about train operators' use of fares basket "flex" and how this complicated the issue of fares rises and the consistency of how these applied to passengers. There were also concerns that operators offering off peak single tickets close to the price of returns was both confusing to passengers and introduced additional cost to those seeking more flexibility by only purchasing tickets for single leg journeys. It was also thought there was a more equitable way of dealing with passengers who missed a specified train, and that ticket could be used to part fund another, rather than having to fund the whole cost of a new ticket.

Better information about ticket purchases
There was concern that it sometimes seemed that the responsibility was placed more on passengers to purchase the correct ticket rather than on the industry to sell the right ticket. This was exacerbated on certain channels such as ticket machines, and in general the way passengers were guided through ticket purchases, and the information given to them, did not always enable passengers to be confident of finding the most appropriate ticket for their needs.

Ticket offices & other sales channels
It was recognised that passenger purchasing preferences were changing but that many passengers continued to wish to buy their ticket from a human being. It was also noted that, currently, many of the alternative channels were not a valid replacement for the functions of a traditional ticket office. There was some thought that there was some merit in bringing ticket office staff "out from behind the glass" to provide a more visible multifunctional role.

Key themes - Trade Unions

Trade unions agreed that the fare structure should be simpler for passengers. They were in favour of 'smart ticketing' but opposed the use of higher peak time fares. They were concerned with the continuous increases to rail fares. They believed that the current system of ticket offices provided the best service for customers and did not consider that other outlets would provide a suitable alternative.