



Department for Transport  
Rail fares and ticketing review  
3/15 Great Minster House  
33 Horseferry Road  
London  
SW1P 4DR

Our ref: RTIG-c069-mc  
Date: 10 May 2012

Dear Sirs

**"Rail Fares and Ticketing Review: Initial Consultation": RTIG's response**

Thank you for the opportunity to review and respond to the Government's consultation paper at reference. This response collects the view of the industry body RTIG, a collaborative group of some 80 subscribers including UK local authorities, transport operators, and the system industry whose scope is the effective use of technology in public transport.

Inevitably there are areas where our members' views do not coincide. This response represents **only** the consolidated views of RTIG where there is a consensus view. Members will doubtless find other channels to provide any additional perspectives they may have.

Moreover this response is restricted to those aspects which are within RTIG's scope of operation, namely the role of technology in public transport. We believe that, whichever way the regulatory decisions go, it will be important to ensure that technical approaches are used both effectively and efficiently.

RTIG remains committed to delivering benefit to UK plc and will be happy to discuss any of its comments further.

Yours sincerely

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## **Annex to RTIG-c069-mc: Specific questions answered**

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*If responding on behalf of an organisation, please state which category below best describes your organisation:*

RTIG is primarily an "interest group"; its members include many from Local Government and the Rail industry, and it enjoys good working relationships with Central Government through several DfT branches.

### **Chapter 1: Principles of fares and ticketing regulation**

*The consultation document sets out the Government's objectives for regulating rail fares and ticketing as...*

*1.1 Do you agree these are the right objectives? Is there anything we've missed?*

Aside from these policy-focussed objectives, we believe that the Government has an implicit objective to ensure that rail fares and ticketing systems work effectively and efficiently.

*The consultation document explains that Government regulates by...*

*1.2 How effective do you think the current system is in achieving the Government's regulatory objectives?*

We do not believe that the current regulatory position is effectively fulfilling the Government's objectives. Some of this is structural to the regulatory system, and some is a result of the way that the regulation is implemented.

Specifically, the complexity of ticket types (both regulated and unregulated) means that passengers struggle to see the rail network as an integrated whole, while limiting the potential for innovation. Fares structures have fossilised the rail offer, as retail approaches which are widespread elsewhere are disincentivised.

This is a long standing problem, and we warmly welcome the Government's current drive to address this, in particular in the context of smart ticketing technologies – which have the potential to make the problem much worse, or much better.

### **Chapter 2: Smart ticketing and season tickets**

*The consultation document identifies the main benefits of smart ticketing as... And it identifies the main risks and issues of smart ticketing as...*

*2.1 Do you agree with the benefits and with the risks and issues we've identified in relation to smart ticketing? Is there anything we've missed? How might we address the risks and issues?*

Generally we think this analysis is sound, although we would stress that the items listed are merely *potential* benefits – for instance a poorly implemented system could (and has, on occasion) seriously reduce the “speed and convenience for passengers”.

One important risk not identified is the risk of passengers not understanding, not being comfortable with, or not having access to the smart ticketing offers. Some of this may need regulation – for instance would it be acceptable for lower prices to be offered to mobile tickets which require expensive customer devices?

We believe that many of the benefits will be achieved, and risks resolved, through normal project practice, within the rail industry. However, in some cases Government leadership will be required, in particular those areas which involve cross-operator ticketing using a multiplicity of technologies.

*The consultation document identifies the following issues with the current system of season tickets...*

*2.2 Do you agree with the issues we’ve identified with the current system of season tickets? Is there anything we’ve missed?*

We have no particular comment on this – but see the answer to the following question.

*2.3 What features would you expect to see in a smart, flexible and more tailored season ticket?*

We believe that this is a dangerously tendentious question.

A “season ticket” is a well understood product, characterised by route and giving unlimited travel within a specific time period. Pricing is designed to offer a saving to five-day-a-week travellers, offering (in particular) commuters a financial benefit and offering operators a guaranteed revenue.

With smart ticketing, wholly new retail paradigms are possible, in which each traveller has an “account” with one or more providers, making a vast range of offers, deals, caps, carnets, loyalty bonuses, add-ons etc possible. Trying to jam (some of) this into the season ticket concept risks both confusing the existing structure, and simultaneously constraining retail innovation.

*2.4 Do you have any other suggestions as to how season tickets could be tailored to better meet the needs of particular groups?*

See the answer to the previous question.

*Questions 2.5-2.8* are not applicable to RTIG.

### **Chapter 3: Using fares to achieve more efficient use of rail capacity**

*3.1 Do you agree that introducing new commuter fares could help the railway operate more efficiently by encouraging some commuters to change their travel patterns?*

While this is often claimed, we are unaware of any convincing evidence. We suspect that commuters who are in a position to do so, and for whom the fare difference matters, will already be making a choice between peak rail and off-peak fares, or indeed non-rail modes.

More fundamentally, it is important to identify what the goal of the fares policy is. It might well be the case, for instance, that a large increase in peak prices would enable smaller trainsets to

be used, which then improves the average daily load factor (especially if off-peak prices are commensurately reduced). However that would presumably not be the intended outcome!

The use of "shoulder pricing" as a means of avoiding high demand on last/first off-peak services has some logic, although the impact is less on railway efficiency *per se* than on crowding levels.

*3.2 What do you consider to be the main benefits and the main risks/issues with introducing new commuter fares?*

See answer to previous question.

*3.3 How could we ensure that any new commuter fares structure was as fair as possible?*

The answer to this depends on the definition of "fair". This is a political matter and RTIG cannot comment until the goal is more clearly defined.

*3.4 How could we use fares to achieve more efficient use of rail capacity on intercity services?*

See answer to question 3.1.

There is an important macroeconomic point here. Peak travellers presumably value the utility of travel at those times sufficiently highly to offset the higher fares. Employers presumably value the utility of encouraging staff to travel at peak times (or at least, not encouraging further movement to off-peak) similarly.

While it is doubtless an oversimplified generalisation, it is likely that peak trips are more likely to be business related (including commuting) than off-peak, and this might imply that GDP-enhancing travel is being taxed more heavily than consumption. Clearly, a balance is required between making the rail network efficient internally, and making it best fit the needs of the UK economy.

The question, then, is: what metric is it that the Government actually wants to maximise? And how can incentives be put in place which do not have perverse outcomes?

#### **Chapter 4: Fares and ticketing complexities**

*Currently, passengers with Advance fares valid only on one specified departure... We are considering whether passengers could be allowed to "pay the difference" instead...*

*4.1 What do you see as the main advantages and disadvantages of such a change?*

We have no views on this, except to note again that this feels like tinkering with an existing creaky fares system rather than fully embracing the opportunities of smart ticketing.

*There is evidence of an imbalance...between fares in the London commuting area and other parts of the country...we do believe that there is a case for reducing any significant regional imbalance in fares levels.*

*4.2 What would you see as the main advantages and disadvantages of such an approach?*

We have no views on this, except to note that this implicitly contradicts the use of pricing mechanisms to manage demand (see also answers to Chapter 3 questions).

*4.3 What steps could the Government take to protect passengers' overall interests as part of providing open access to fares data?*

This is a complex question, to which we have no easy answer. We suspect it will require an ongoing dialogue between passenger interest groups and the rail industry.

## **Chapter 5: Buying tickets**

*5.1 Selling tickets through ticket offices is a major cost for the railways. How can we reduce this cost without deterring passengers from using the railway?*

The question this begs is: why do passengers value ticket offices? There are likely to be many aspects to this, not all of which are replaceable by other means. Among those that can be addressed, several solutions may be worthwhile.

One answer is that passengers simply value face to face human contact: they don't trust, or find it difficult to operate, automated systems. While this may be partially fulfilled by (for example) call centres or post offices, there may yet be residual lack of trust in someone not wearing a rail uniform.

A more general issue is that it is possible to ask ticket office staff open ended questions, or questions of judgment, or policy questions, in a way that is difficult for non-human solutions to replicate. Again, call centres could address this demand.

Finally, for trips of any degree of complexity, it may be the only reliable channel. Ticket vending machines are notoriously restricted in the range of tickets that are available (or at least, easily available) through them – yet they are already so complex as to deter people from using them. Online vending for advance purchase tickets tends to be more flexible (not least because users tend to be in less of a hurry); but this is hard to make successful for turn-up-and-go demand.

It is important to distinguish between stations of different sizes. While ticket office costs at a mainline terminus could be reduced by (say) moving half the demand to other channels, that is not possible for a small local station which only has one window – it is either staffed, or closed. Indeed, many already have restricted opening hours.

*5.2 What are the costs/benefits of reducing ticket office opening hours? What would you consider to be an acceptable alternative to the ticket office that met most of your ticket requirements?*

See answer to previous question.

We note that what counts as "an acceptable alternative" will vary from individual to individual, and from context to context. Some passengers may never use the ticket office, being happy with other retail arrangements; others may regard the ticket office as indispensable.

*5.3 What safeguards would need to be put in place for passengers in the case of changes to ticket office opening hours?*

We have no specific view on this.

*5.4 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 located away from the station)?*

We have no specific view on this question as asked.

However, it will be important to consider not only how popular any alternative retail channel might be, but also the net cost of equipping it with effective facilities and resources. Both patronage and cost considerations need to be considered as net effects: that is, they need to take into account both the drop in usage, and the cost savings, of the primary at-station facilities.

*5.5 What other improvements would you most like to see to make buying rail tickets easier?*

We have no specific view on this.

## **Chapter 6: Next steps**

*6.1 Do you have any other comments about the impact of anything in this consultation document on passengers or potential passengers, including by income group, equality group(s) or any other group?*

The ticket office mechanism is essentially fair to all groups (this is not a comment on fares levels, or on service accessibility, but on the ticketing system itself). However technology always raises the bar on accessibility, and care must be taken that particular groups of passengers are not disadvantaged or even disenfranchised. For instance, few ticket vending machines have an audio option, so are essentially inaccessible to blind people. More perniciously, TVMs are notorious for not providing all available pricing options, and being confusing for those they do offer.

With smart ticketing solutions, this will be an important consideration. It may need to be accepted that not all solutions will be available to all groups, but it may be necessary to provide advice (or even to regulate) certain technical or operational features of the various channels as they emerge.

*6.2 Are there any other comments you would like to make about anything else in this consultation?*

Fares complexity is one of the major issues identified in recent rail reviews, and there is a great risk that smart ticketing provides an opportunity for this to become much worse. It is worth considering whether some existing structures may now be reconsidered (eg removing season tickets from the regulated basket, and allowing "multi-use discounts" to be made much more flexible by operators).