



The structure of the rail industry.

What do passengers think?

12 March 2019

Approach and coverage

Longitudinal approach, exploring how perspectives change over the course of deliberation and discussion

Stage 1: Pre-task diary completion

Online or on paper

To obtain a fresh and in-the-moment perspective of respondents *before* they are affected by group dynamics or stimulus material

Stage 2: Mini Focus Groups

Collaborative discussion

12 mini focus groups of 6-7 participants. London, Birmingham, Manchester, Cardiff and Glasgow

Explanation about current and potential models for the organisation of the railway and trade-off exercises

Stage 3: Online Community

Ongoing contact with participants

Educate and inform respondents about the full range of challenges and opportunities facing the rail industry. **Gaps in public knowledge**, and how ideal experience change and adapt in the face of **practical constraints**

Research Objectives:

What is the current experience of rail users day-to-day?

What does the ideal rail experience look like?

What do they know about the rail industry as a whole?

How, ideally, should the rail industry be structured?

How should passengers be consulted and informed about rail?

How should changes be delivered?

Thoughts about rail are generally back of mind unless prompted

Low salience:

Railways are often low salience and the structure/management even more so. Passengers' priorities focus on 'here and now' tangible improvements/ benefits

Commuters vs leisure/ business users:

Unsurprisingly there are significant differences in expectations and priorities between commuters and leisure/ business users (particularly for longer distance journeys)

Perceptions of rail are driven by issues in addition to experience:

Experience is a key driver of consumer perceptions. However, other, often more emotional factors also have an impact. Myths and misconceptions are widespread and persistent

Very limited understanding of industry structure:

Great confusion about how the industry operates and this lack of clarity often generates cynicism and suspicion about the industry's motives and priorities.

Local affinity:

Limited geographical variation in attitudes, but there is a broad recognition that major conurbations have specific transport needs that rail needs to be a part of and that this is different to longer distance, inter-city travel.

Weak brand associations:

Within the rail industry (with a few exceptions) brands do not convey a clear proposition. Passengers often do not know what they can expect and this limits the ability of the industry to build confidence and trust.

Context

- Pre-group diaries suggest that the experience of rail (on an individual journey basis) is often positive
- The experience is usually seen as **'acceptable'** but often in the context of limited expectations
- Passengers also acknowledge **recent improvements** on trains and at stations
- Notwithstanding many positive experiences of rail, there is significant underlying discontent:
 - Most see themselves as **passengers rather than customers**, especially commuters
 - Rail companies feel **impersonal and lack customer focus**, doing **little to foster a relationship with users**
 - **Choice appears limited** (if it exists at all)
 - The **relationship** with the railways appears **one-sided** - many feel taken for granted and don't think that their voice is being heard
- Passengers on elective journeys report **higher satisfaction** compared to **commuters**

Passengers struggle to find comparators for the railway

Rail is seen as having unique and sometimes contradictory characteristics

- Operated by **private companies** BUT **government** is in some - often vaguely articulated - way involved
- **Run for profit** BUT has a role **beyond commercial success**, although most cannot explain what that is
- **Privately owned** BUT are also a **national asset**
- Railway companies are **private enterprises** BUT are **not subject to true competition**

Organisations that operate with quasi-commercial models are seen as most similar to rail

Market driven and customer focused organisations are viewed as being dissimilar to the railway. They focus on:

- Innovation
- Building their brand
- Building a relationship with their customers
- Incentivising loyalty

Organisations that have a **public service** element and produce some kind of **social good** are seen as most similar to the railway. These organisations are:

- Strategically important
- Bureaucratic
- Not subject to true market discipline



Perception of rail is also driven by wider contextual issues

Wider narrative around rail

- Coverage of rail is often lower impact than prominence of stories in media suggest, but is typically more negative than positive
- Aside from specific incidents, there is also a well-established, wider and largely negative narrative
 - 'Lagging behind the rest of Europe'
 - 'Fat-cats making millions'
 - 'No one is in charge'
 - 'No competition'
- Little evidence of the industry counteracting such stories

Structure

- Passengers are most concerned with the outcomes of their journeys as opposed to the structure of the railways. But a general lack of knowledge about who is in charge and how things are organised provides many opportunities for cynicism and suspicion
- Despite lack of knowledge, passengers seldom want educating about the workings of the railways. Instead they desire a more predictable and generally better experience

Brand story

A lack of brand story and limited brand awareness means there is little sense of a relationship with the railway or individual rail companies. This often leads to conflicting expectations and confusion about where passengers' money is going

Understanding of railways is low and seldom top of mind

WHAT DO PASSENGERS UNDERSTAND?

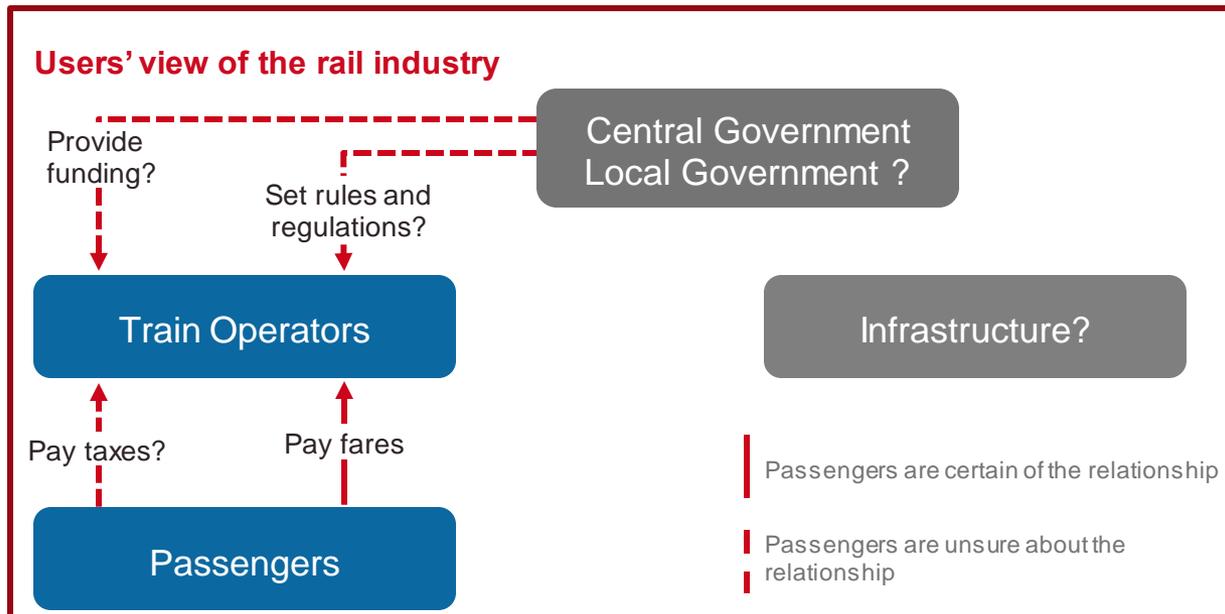
- Understanding is **limited and vague**
- Understand existence of TOCs
- Aware that **'someone' owns the tracks** and possibly the same people own the stations
- Not all passengers understand that Network Rail actually own the infrastructure, many believing they are simply employed to maintain the network
- Limited understanding of the Government's role - **"they have some sort of role"**

HOW DO PASSENGERS FEEL ABOUT THIS?

- Passengers feel **confused** and negative associations are developed as a result
- The railway is viewed as **fragmented** and this is not considered to benefit passengers
- Drives inconsistency in experience
- Results in nobody taking responsibility and caring about / **thinking about passengers as individuals**
- Assume or fear that that they may be **'paying twice'** both as a rail user perspective and taxpayer

Understanding of how the industry operates is vague and patchy

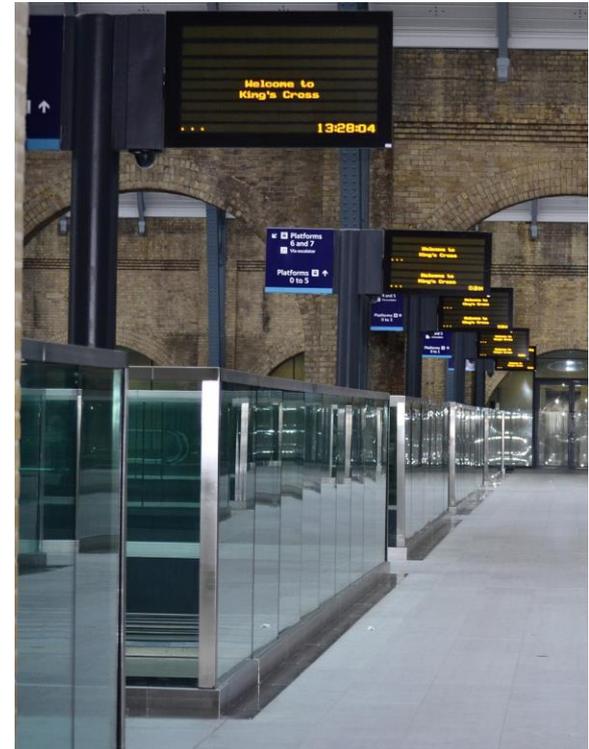
- Users understand that private companies are involved, but there is a broad consensus that these businesses must be at least partially funded by and/ or in some way controlled / influenced by the government
- Often no clarity about who sets rules, who funds and ultimately, who is in overall charge
- Leads to conflicting expectations and confusion about who users are dealing with and where their money goes



Many are aware there is some element of taxpayer support in rail

Understanding of the mechanism for and level of funding is very limited

- While most could accept (albeit sometimes reluctantly) the role for subsidy, the issue also surfaces further debate about value
 - Fares continue to rise ahead of inflation, without corresponding service improvement
 - 'Paying twice' through tax and fares
- Users (understandably) have very little understanding of operators' commercial models
 - Assume fares are set entirely at the operator's discretion
 - Believe busy commuter trains are an easy 'cash cow'



Look at the South East line, £3,000 for the season ticket and when the train doesn't turn up, you can't get on. So who's responsible for that?
Cardiff, Leisure

If you try to get the train in the morning to go to work, it's a nightmare. If you go a half-hour later it will be empty and it will run like that for the rest of the day. Then going home at night, full carriage again. So only two times a day can that train actually be making a profit.

Glasgow, Commuter

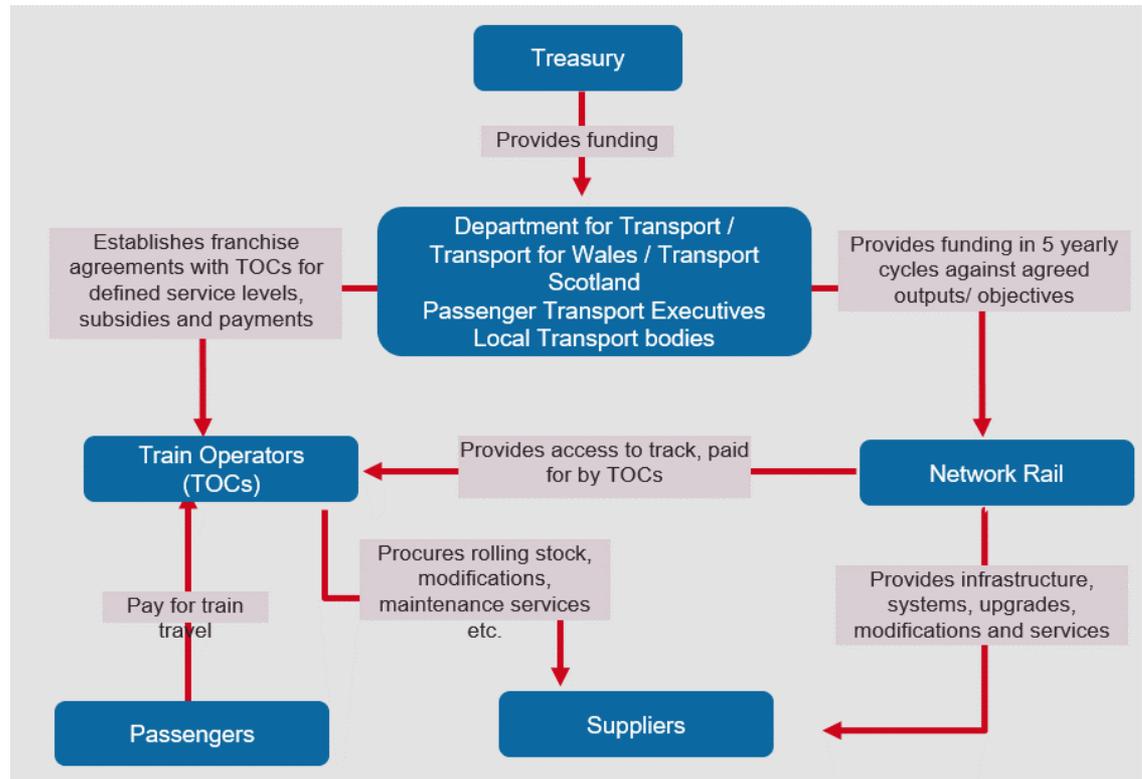
Passengers find the current model complex and confusing

Maybe there should not be so many fingers in the pie and maybe a specific person, body, group, that if there are issues they can be held accountable for it.
Cardiff, Commuter

The Department for Transport give Network Rail money and they also give the train operators money, so basically they are governing both.
Am I right about that?
Glasgow, Leisure

The structure itself is not very surprising, but I think it's just too complex for its own good.
London, Leisure

Well, I knew it was complex but it's a logistic nightmare!
London, Leisure



Accountability a major concern in the current complex structure

- Numerous **layers** and number and variety of organisations involved prompt **concerns about overall cohesion** of the system
- Involvement of multiple organisations is an **opportunity to point fingers** and pass the buck
- **Passengers highlight their peripheral position** within the structure, reinforcing the idea that they are not customers
- Passengers often noted the **separation of track and train in the existing model**. Many felt that the separation leads to a back-and-forth shifting of blame
- On reflection many concede that **the current model could work** and provide an effective service for passengers
- Perceived lack of a customer-focus leads many to suspect the **system has been deliberately designed to meet the objectives of those involved, rather than the needs of the passenger**
- Little mention of the role of **staff** in the operation and management of rail; ultimately the **system itself** is seen as problematic
- Many reason that the **rules have not been properly designed or are not properly applied**

I think any kind of structure like this should work well, but as it works its way down through other boxes, things don't always come out at the end as they should.

Manchester, Commuter

I don't think they are all going to have the same standards, are they?

Glasgow, Leisure

I think there's too much pass the buck. The passengers blame the train operators, train operators blame government, government blame the train operators and it all comes back to the passengers.

Cardiff, Commuter

As knowledge developed, importance of accountability emerged

Respondents initially blame 'the rail' or 'the rail company' for difficulties, not knowing who to hold responsible

Lower Knowledge

Pre-task: Individual Needs

At this stage, the emphasis was on individual priorities, an opportunity to let out frustrations at their experiences, and less about the overall structure of rail

Focus groups: Collective Needs

In a group, respondents reflected on other people's needs from rail. When faced with the structure of the rail industry, many were frustrated at what they saw as a complex system in which they played a small part and where accountability was limited

Higher Knowledge

Post-task: Accountability

With time to reflect, accountability remains an important priority, with respondents tended to define it as an individual with overall responsibility for the whole system

Every day is the same. They run through a range of excuses why the train is late or cancelled. The most annoying thing is that they run on time during the day and run six carriages and three in rush hour which defies logic.

Pre-task, Birmingham

I suppose it's like going into a restaurant, if the meal's poor, then it's not really up to the customer to go into the kitchen and see what's going on with the chefs.

Glasgow, Leisure

I don't think the rail system can be run properly unless train operators, the network system and track maintenance are under one roof, accountable to a CEO or Government body.

Post-task

A lot of my friends talk on social media about how rail is but I just use it for days out with my son and we have a great time.

Pre-task, London

So we're not really the customer of train operators; they're ultimately trying to please the person who's giving them the most money – the person that granted them the licence.

London, Commuter

If they were all one company, communication would have meant such an issue would have been minimised, or they could have just postponed the timetable change if it was unfeasible.

Post-task

Fully public or private models hold some initial appeal for their simplicity

After reflection, most value a 'hybrid' approach and revert away from the purely public or private extremes

Very little public sector influence

Complete public sector influence

Private

Initially, some leisure users like the idea of 'voting with their wallets' and being able to **reward/punish** TOCs through their travel decisions.

But while the discipline of a genuine market is valued by most passengers, a totally private model is seen as at odds with the social purpose of the railway so for longer distance **leisure/ business** journeys.

Similarly, many see the **need for public involvement** to address transport issues in large conurbations.

Franchise

Warmth towards the franchise-type model as the **status quo** – few were happy to suggest that they were satisfied with rail's structure as it currently stands, although some leisure users were.

In the discussion, many felt that a franchise-type model could offer an effective balance between public and private operation, but only if the **criteria** on which franchises are awarded are clear, comprehensive, and **customer-centred**. For many, **more and genuine competition would also help provide legitimacy for the franchise model** and could be effective for **longer** journeys

Concession

The concession-type model is often felt to be a compromise between **public ethos** and **private expertise**. It is often assumed that private-sector knowledge is needed to run a rail service, but a concession-type model is often seen as an effective way to embed **social purpose** within a privately managed system.

Some doubt that private companies would be willing to manage the service for a flat fee, and others are wary of the greater degree of public sector risk, although commuters generally assume that their routes will be profitable in any case. Even for those who don't commute, a **concession-type model has strong appeal for managing transport in large urban locations**

Public

Initially, some **commuters** are excited by the prospect of a centralised body taking charge in the face of what they see as an all-too convoluted and **unaccountable** system.

However, they also often conclude that a purely nationalised system will lack competition, leaving providers **'complacent'** and less adaptive to change.

A range of criteria emerged while discussing the different models



Accountability

Respondents use accountability to describe both repercussions (the possibility of a TOC losing its contract) and transparency in the way that it is managed. Degree of accountability can vary depending on the model presented.

Accountability means that when the service isn't up to scratch, there's some repercussion. I think there is, but they're not transparent about how it works.
London, Commuter



Customer Focus

A customer-focussed rail journey is one where a customer can be confident that their fare entitles them to a comfortable and smooth journey, and that where this does not happen, compensation or adjustments can be made.

There wasn't anybody there straightway that emailed me back or there wasn't a direct line that I could speak to, it was just a nightmare. Birmingham, Commuter



Competition

Often felt a market-led model would provide innovations, features and amenities such as comfortable seating, Wi-Fi and clean rolling stock. It is closely linked to accountability, in that a profit motive is one way of keeping TOCs accountable.

Air travel has competition because you can say, 'Your service is terrible. I'm never going to fly with you again. I'm going to go with someone else.' There's accountability there. Glasgow, Commuter



Value for Money

Ultimately the models were judged on how successfully they could deliver value for the fares and/or taxes the passenger would pay. Perceptions of value differed based on journey purpose and length, but centred on reliability, comfort and price.

It's costing so much for such a poor service. I'm paying my tax and my ticket, and I'm not getting anything anywhere near what I should be getting.
Cardiff, Commuter



Simplicity

While many thought rail management should differ between local and longer-distance routes, there was a general sense that the rail structure should be comprehensible and streamlined at the macro level.

It's too confusing as well. If you're not used to it, it's quite confusing if you've got all, you've got one ticket for one company and then something happens.
Birmingham, Leisure



Social Purpose

Rail is generally felt to have a broader purpose beyond profit. A successful rail structure is one that accommodates and embraces the social purpose of rail travel, ensuring that routes are not stopped simply because they are unprofitable.

If it's private they could go, 'It's not being used enough, it's gone'. If it's publicly owned, there's a bit more social responsibility to them.
Cardiff, Commuter

All models satisfy some requirements of the key criteria

Commuters and leisure/ business users differ according to whether each model will meet their needs

Commuters feel a **captive audience**, an exploitable 'cash cow' with no choice in their rail usage and **little potential for their interests to be protected by market forces/competition** but sanguine about absence of competition if more public sector involvement protects their interests. **Unsure** whether private model would be accountable to their needs. **Doubt accountability mechanisms of franchise or private model.** Public and concession-type models seen as likely to deliver better in a non-market based environment

Many **leisure/business users feel their journeys benefit from competition** and would welcome more of it. Longer distance users tend to **see customer focus in added extras** such as Wi-Fi, spacious seating and clean carriages. Private sector influence appeals to them in this respect.

	Public		Concession		Private		Franchise	
Accountable	✓	✓	✓	✓	?	✓	?	✓
Customer Focus	?	?	✓	✓	×	✓	×	✓
Competition	×	×	×	×	×	✓	×	✓
Value for Money	?	×	?	×	?	✓	?	✓
Simplicity	✓	✓	✓	✓	×	×	×	×
Social Purpose	✓	✓	✓	✓	×	×	×	×

Commuter appeal
 Longer distance leisure/ business appeal

Structure is important in delivering accountability, but several approaches

Little/ none

Extent of Market Competition

Extensive

Higher

Need for Public Sector Protection

Lower

- Both market discipline and (central or local) government's public mission are seen as potentially protecting passengers' interests
- An independent body that protects passenger interests is well-accepted as a way of achieving accountability, provided enforcement mechanism is in place
- Where there is no/ weaker competition, the more the requirement for public sector involvement to compensate for the lack of a market mechanism
- In addition, the need for more 'joined-up' transport within cities is seen to favour a more regulated model. (TFL is the obvious comparator)
- The broad consensus for more market involvement for longer distance inter-city journeys. Franchise-type models are seen as having the potential to deliver, but are also seen as needing more rigorous governance i.e. clear rules and penalties. Ideally, it should also include more competition on individual routes
- For commuting a concession-type model feels more appropriate
- In either model, there is an underlying requirement for:
 - more simplicity and greater clarity about roles and responsibilities
 - better communication
 - building a more customer focussed and personal relationship.
- Users have limited ability to suggest how this might be delivered and often cite already well-established methods (surveys, reports, an independent Watchdog).
- Ultimately, effective communication may be as important as structure and management in delivering change

Summary

Passengers have limited knowledge of/ interest in structure of the railway

Most journeys are at least acceptable

But there is **underlying discontent about the railways**

Commuters in particular can feel **exploited and ignored**

- **Limited. competition** and an **often mediocre customer service experience** as evidence of a system that is not serving its customers as well as it might

There is general agreement that **the railways are different** : they are a **national asset** and have a **wider societal role**. While lacking understanding about how the industry is managed, the overall perception is of a **lack of a clear organising force or principle** governing its operation

Users' core objectives focus on:

- **better customer experience**, centring on punctuality, reliability, comfort, space and a sense of customer focus
- more **clarity and rigour in terms of accountability**

But users **mostly pragmatic about how their objectives can be achieved.**

The general consensus is that **customer interest can be protected by both the operation of the market and by public sector** involvement

As such, users would like **both more competition**, where competition seems to make sense) **and more public sector involvement**, where it does not i.e. commuting

Both approaches are seen as potentially delivering more accountability. However, a **more simple structure** and **more effective communication** of this structure – is also required

Research & reality:

This study took a *deliberative approach*, allowing for the staged release of information and an iterative, considered evaluation of alternatives

In reality, **few rail users are likely to engage in such a sustained and focussed way** with relatively complex (and for many, uninteresting) questions about the structure of the railway

As such, **the temptation to revert to superficially appealing but simplistic solutions will remain strong**