

Un-fare? The future of fares and ticketing in Great Britain

Date: Wednesday 12 April 2006
Location: QEII Conference Centre, Westminster, London
Start time: 10.30am

Time Item Subject

Time	Item	Subject	
10:30	1	Welcome	Colin Foxall Chairman, Passenger Focus
10.40	2	Have your say – interactive voting session	Colin Foxall
10.55	3	Keynote address	Adam Raphael Associate editor, Transport Times
11:10	5	Fares feedback Initial findings from Passenger Focus fares research	Andy Firman Research director, Outlook
11.35	6	Passenger Focus policy position Initial reaction to research findings	Anthony Smith Chief executive, Passenger Focus
11.45	7	Questions and discussion	
12:00	8	Panel discussion – the future of fares and ticketing <ul style="list-style-type: none"> • Stewart Palmer, Managing Director, South West Trains • Jamie Burles, Commercial Director, Midland Mainline • Philip Cullum, Deputy Chief Executive, National Consumer Council • Anthony Smith, Chief Executive, Passenger Focus 	Chaired by Colin Foxall Delegates will be invited to put questions to the panel.
13:00	9	Have your say – interactive voting session	Colin Foxall
13:15	10	Lunch	
14:00	11	Workshops <ul style="list-style-type: none"> • Integrating London's travel – fares and ticketing • Fares and social inclusion • Airline-style fares and ticketing • The case for a national Railcard <p><i>Delegates will elect to attend one workshop. Expert speakers will deliver a presentation for five minutes, followed by a debate</i></p>	<ul style="list-style-type: none"> • TfL and ATOC • Transport 2000 • Virgin Trains and airline consultant • Railfuture and ATOC
15:15	12	Summary from workshop chairs	Workshop chairs
15.20	13	Have your say – interactive voting session	Colin Foxall
15:30	14	Chair's closing remarks and close of conference	Colin Foxall

Un-fare? The future of fares and ticketing in Great Britain

Wednesday 12 April, Queen Elizabeth II conference centre, London

A

Stephen Abbott	East Midlands Public Transport Users' Forum
Steve Armitage	Office of Rail Regulation
Chris Atkinson	Department for Transport
Chris Austin	Association of Train Operating Companies (ATOC)

B

Roger Bacon	Railfuture (East Midlands)
Anne Bates	DPTAC Rail Working Group
John Bigny	Edenbridge & District Rail Travellers Association
Peter Biggs	Passenger Focus
June Bridgeman	Soroptomist International SE England
Rupert Brennan-Brown	Rail PR
Jamie Burles	Midland Mainline
David Burton	Passenger Focus

C

Jake Cartmell	Transport Scotland
David Charlton	WRUG
Hugh Clancy	First Capital Connect
Paul Clark	East Midlands Public Transport Users' Forum (EMPTUF)
Barrie Clement	The Independent
Emma Cliffe	Department for Transport
Jane Cobell	Passenger Focus
Yvonne Constance	Network Rail
John Cook	Rail Settlement Plan Ltd/ATOC
Brian Cooke	London TravelWatch
Richard Crane	Bedford-Bletchley Rail Users Group
Philip Cullum	National Consumer Council

D

Stuart Daghish	Department for Transport
Chris Dale	North West Public Transport Users' Forum
Ceri Davies	Welsh Assembly Government
Phil Davis	Passenger Focus
Louise Delaney	Southern
John Dennis	Association of Train Operating Companies (ATOC)
Roger Dickson	TLRUG
Barry Doe	Fares Consultant
Suzanne Donnelly	Great North Eastern Railway (GNER)
Jason Durk	National Rail Enquiries

E

Peter Eldridge	South Eastern Trains
John Elvin	Chiltern Line Association
Samantha Elvy	British Transport Police Authority

F

Andy Firman	Outlook
Colin Foxall	Passenger Focus
Alan Francis	Milton Keynes - Bletchley Rail Users Group
Jim Froggatt	East Midlands Transport Activists Round Tables
Brian Frost	East Suffolk Travellers' Association
Suzanne Fry	London TravelWatch
Dennis Fryer	South Hampshire Rail Users Group
Edward Funnell	Association of Train Operating Companies (ATOC)

G

Kate Gordon	Passenger Focus
Mike Greedy	Passenger Focus
Chris Green	Railway Forum
Ann Greenfield	Soroptomist International SE England

David Greeno	Passenger Focus
John Grubb	North Kent Rail Users Group

H

Phil Haigh	Rail Magazine
Nigel Harris	Rail Magazine
Sharon Hedges	Passenger Focus
Sarah Hill	Transport for London
Stewart Horne	Food Standards Agency
Steve Howes	Association of Train Operating Companies (ATOC)
Alan Hyde	Great North Eastern Railway (GNER)

J

Brian Johnson	Virgin Trains
Mike Jones	Hull Trains
David Jones	Merseytravel
Caroline Jones	Passenger Focus
Stephen Joseph	Transport 2000

K

Neil Kerr	Ludlow Rail Users
Brian Kilkelly	Heyday
Chris Kimberley	Serco Integrated Transport
Rachel King	Passenger Focus
James King	Passenger Focus
Christine Knights	Passenger Focus

L

Derek Langslow	Passenger Focus
Peter Lawrence	Railfuture
Arthur Leathley	Virgin Trains
Catherine Lee	Passenger Focus

Graham Leech	Virgin Trains
Dave Lewis	South West Trains
Adrian Lyons	Railway Forum

M

Michael Machin	Lancaster and Morecambe Rail User Group
Richard Malins	Transport for London
David Mapp	Association of Train Operating Companies (ATOC)
Jasmin Matharu	Passenger Focus
Deryk Mead	Passenger Focus
Alan Meredith	East Midlands Public Transport Users' Forum (EMPTUF)
Neil Micklethwaite	Chiltern Railways
Charles Monheim	Transport for London
John Mooney	Passenger Focus
Cllr Ken McGlashan	Merseytravel

N

Vinita Nawathe	Passenger Focus
Roger North	Chelmsford Commuters and Rail Travellers (CART)

O

Tunde Olatunji	Passenger Focus
Thomas Orr	TransPennine Express

P

Stewart Palmer	South West Trains
Donald Peacock	Railfuture (Lincolnshire)
Jocelyn Pearson	Passenger Focus
Simon Pickering	Passenger Focus
Richard Pout	Railfuture
Laurie Price	Mott MacDonald
Alun Prytherch-Evans	Windsor Line Passengers' Association
Derek Purcell	Windsor Line Passengers' Association

R

Toby Rackliff	Centro Rail Services
Meera Rambissoon	Transport 2000
Adam Raphael	Transport Times
David Redgewell	Transport 2000 South West Network
Andrew Regan	Passenger Focus
Andrew Robertson	Association of Train Operating Companies (ATOC)
Martin Ross	Railfuture, Coastway Division

S

Colin Sampson	Fen Line Users Association (FLUA)
Robert Samson	Passenger Focus
Bill Samuel	Passenger Focus
Barbara Saunders	Passenger Focus
Marc Seale	Passenger Focus
Nigel Searle	Southern
David Sidebottom	Passenger Focus
David Sindall	Association of Train Operating Companies (ATOC)
Mark Smith	Department for Transport
Martin Smith	Railfuture (Thames Valley)
Anthony Smith	Passenger Focus
Paul Smith	Association of Train Operating Companies (ATOC)
Katie Springer	Passenger Focus
Hassard Stacpoole	Association of Train Operating Companies (ATOC)
Campbell Storey	Office of Chris Grayling MP
Robert Stripe	Fen Line Users Association (FLUA)

T

James Tallack	Which?
Arthur Taylor	Bedford Commuters Association
Barrie Thomas	One
Howard Thomas	Railfuture

Derek Thompson	Arriva Trains Wales
Peter Thompson	Passenger Focus
Susan Tibbett	Passenger Focus
John Till	National Rail Enquiries
John Truelove	Association of Train Operating Companies (ATOC)
Trevor Tupper	Arun Valley Rail Users Association
Jonathan Tyler	Passenger Transport Networks

W

Andy Wakeford	South West Trains
Nigel Walmsley	Passenger Focus
Julie Warburton	Passenger Focus
Garry White	Network Rail
Liz Wilkinson	Passenger Focus
Phil Wilks	Passenger Focus
Kerry Williamson	Passenger Focus
Mark Woodbridge	Passenger Focus

Un-fare? The future of fares and ticketing in Great Britain

Wednesday 12 April, Queen Elizabeth II conference centre, London

Adam Raphael keynote speech

1. Good morning and thanks for inviting me to speak to you this morning. Alistair Darling, whose main claim to fame is that he is the longest serving Secretary of State for Transport since Ernie Marples half a century ago, recently boasted that Britain had the fastest growing railway in Europe. And that growth will continue. Passenger demand is predicted by the Rail Regulator to increase by a third over the next ten years. If congestion gets much worse and national road pricing becomes inevitable, that forecast could well be exceeded by a big margin. All this sounds promising for supporters of rail, of whom I am one. But that ignores the fact that Network Rail is deeply in debt and that the Treasury regards the semi-nationalised, semi-privatised, railways as the modern equivalent of a black hole. Huge amounts of taxpayers' money get sucked in, say the mandarins, but not a lot comes out. You may well ask, as I often do: Where are the new lines? Where are the new trains? Where are the new stations to cope with this fast-rising demand? Why are European countries like Spain with half our GDP racing ahead with modern high speed trains while this country, one of the richest on earth, struggles with the legacy of Victoriana. Why 40 years after the Japanese pioneered high speed Shinkansen expresses has this country only one high-speed line and even that the CTRL, would not exist without the commitment and urging of the French. Frankly, our investment record over many years is pitiful.
2. I don't have to tell an audience as expert as this one that many trains are already seriously and in some cases dangerously overcrowded. Nor do I have to remind you that the old British Rail solution to overcrowding and lack of capacity was simply to raise fares. I recently interviewed John Armit, the chief executive of Network Rail. He acknowledged that lack of capacity was a serious issue and had to be addressed. But when I asked him will rail passengers still be standing in ten years time, he replied bluntly: "Yes, they will", pointing out that passengers on London underground accepted this for short journeys.
3. Even if you accept that cattle-like conditions are a fact of life on peak hour commuter trains, (and I fear poverty of expectations in this country is one of our problems), you don't need a crystal ball to predict things cannot continue for long as they are. My own view is that a financial crush is not far off. Sometime soon the government is going to have to decide whether to put in more money, cut services or increase fares. There is no escaping that politically tough choices will have to be made. The railways account for more than 40% of the Department for Transport's spending on transport but are responsible for only 6% of total passenger miles travelled. Of course, railway funding has always been a combination of what is affordable and what is socially desirable. But rail passengers, and that includes commuters, are relatively well off. So the political case for increased spending to subsidise rail travel is not an easy one.
4. Sensible debate, let alone informed decisions, about the railways is difficult when there is so little transparency. The minimum service requirement which the train companies have to meet under their franchise agreements is one example. While the level of grant, or repayment, is known, the costs of individual routes are kept a closely guarded secret. Similarly we have no idea what it costs Network Rail to maintain individual routes. An example I often use, which is

based on folk lore but has so far never been challenged is the 82 mile Inverness to Kyle of Lochalsh line in Scotland. So few are the passengers and so large are the losses on this line that it is rumoured it would be cheaper to present each passenger with a bottle of champagne, and a chauffeur driven limousine. Similarly, does it make sense to subsidise every passenger using Wessex trains at a rate of 25p per mile? Or why should the average Thameslink commuter pay what is effectively a £1 tax to the Treasury for each journey while those using Chiltern railways receive a subsidy from the Treasury of a similar amount? Yes again, why should Virgin West Coast passengers get an average subsidy of nearly £6 per journey while those using its CrossCountry service get £7.

5. John Siraut, who is associate director of Colin Buchanan's economics group, recently pointed out that one of the few bits of information we do have about the railways (thanks to the Freedom of Information Act) is the number of users of the 2,500 stations on the network. Over one third of stations account for just 1% of all rail passengers and are used by an average of well under 100 people a day. Does it make sense to keep all these stations open? Similarly does it make sense to keep hopelessly uneconomic, marginally used routes in operation? Britain has the second largest rail network in Europe, but passenger miles are half those of France or Germany and barely 10% of Japan. We may love our railways, but we don't on the whole use them. We prefer our cars.
6. Unfortunately sensible open debate about the railways at Westminster is almost non-existent. The ghost of Dr Beeching terrifies politicians to the point where planned reductions in services are never openly discussed. Do we need a new Beeching? Should fares increase? If so, which fares? Should we move to a much more flexible (airline style) pricing structure on the railways? What is the right balance between taxpayer support and fare revenues?
7. I have to admit that I don't have answers to any of these big questions. I just have opinions, I am after all just a journalist, and thank goodness I don't have to be elected. My own view, for what it is worth, is that the railway should concentrate on what it does best. That means high-speed inter-city routes and commuter lines. Investment should be largely devoted to these ends. At present, two thirds of all government subsidy to the train operators is spent on little-used regional networks. The bus industry receives less than a quarter of the money that goes into rail yet carries twice as many passengers. Yes, of course, there is a case for social investment in railways. But no one has a God given right to travel by train. On some journeys other modes, particularly buses make much more sense. Nor am I against keeping much-loved local train services going, but there are decisions which are best taken at local level. If a passenger transport authority wants to keep the Paddington to Todmarsh line open and is willing to pay for it (possibly at the expense of bus services elsewhere), then of course it should be entitled to do so. Sensible decisions about rail closures are unlikely to be taken in Whitehall.
8. Yet for any of this to make sense, let alone secure public backing, we need an informed debate. I believe the political case for the railways is in danger of being lost, not least because its cost basis is so opaque that very few even inside the industry really know what is going on. A pre-condition of sensible decision making is reliable information. And that sadly at present is sorely lacking. Stephen Glaister of Imperial College is right when he points out that railway investment and subsidy is not properly appraised in terms of either efficiency or equity.
9. In conclusion, I would like to thank you all very much for inviting me here today and listening to me so patiently. I am sure many of you will disagree with parts if not all of what I have said. But if it helps stimulate a debate and open the way to more transparency, then I shall be content.

Passenger Requirements of Rail Fares Research

Summary of Research Findings

Andy Firman
Research Director
Outlook Research

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Agenda

- ❖ Objectives, Method & Sample
- ❖ Consumer Mindsets
- ❖ Value for Money in Fares
- ❖ Role of Tickets on Fare Perceptions
- ❖ Impact of Discounted Fares
- ❖ Managing Demand & Creating Fairer Structure
- ❖ Conclusions & Recommendations

Research Objectives

- ❖ Ticket range & the choice/complexity paradox
- ❖ VFM in fares & how to improve for passengers
- ❖ Optimal fare structure for consumers
- ❖ Smoothing demand to encourage more off peak travel
- ❖ Saver tickets and the 9 week window for advance booking
- ❖ The role of fares for non-users

To gain a detailed understanding of passenger requirements for rail fares

Method & Sample

**14 x discussion groups among rail users & non-users
(6-8 respondents each for 90 mins)**

- Rail Users comprising Commuters, Leisure Users, Business 1st Class, Business Standard, Railcard Users (Senior, Young Persons, Disabled)
- Non-rail Users comprising leisure, business & commuters
- Mix of long & short journeys across sample
- Spread of SEG & age
- Research conducted in →



Fieldwork conducted between 13th & 22nd February 2006

Consumer Mindsets

Consumer Mindsets

Commuters

- most negative
- pragmatic
- alternatives?

Business

- 1st detached & want travel package
- Standard focused on A-B issues



Leisure

- more relaxed
- passenger age
- journey length



Railcard

- most positive
- most flexible
- welcome discount

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Even when fares felt to be high, not always a top priority issue for many user groups

Relative Importance of Issues

	COMMUTERS	BUSINESS		LEISURE USERS	RAILCARD GROUPS
		1st	std		
FARE	∩∩	X	∩∩	∩(short)	∩
DISCOUNTS	∩∩	X	∩	∩∩(long)	∩∩∩
SERVICE (reliability, punctuality)	∩∩∩	∩∩∩	∩∩∩	∩∩	∩∩
ADDED VALUE (facilities, comfort)	∩	∩∩∩	∩∩	∩	Disabled ∩∩∩ Others ∩
FLEXIBILITY (of ticket)	∩	∩∩∩	∩∩	∩	∩

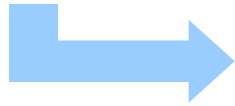
For some user groups, other aspects of rail travel more important than price

Value for Money in Fares

Overview of Fares Perceptions

Fares key issue for many:

- Illustrated by previous work
- Confirmed by this research...



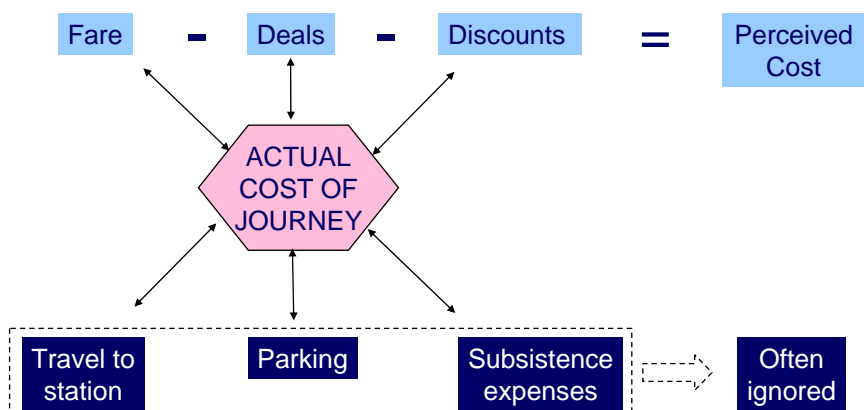
1. 'Penalising' peak time fares
2. Fares a high % of income
3. Exponentially increasing fares
4. Season tickets 'unaffordable'

BUT

- Fares often not most top of mind issue
- Fares can elicit knee-jerk response

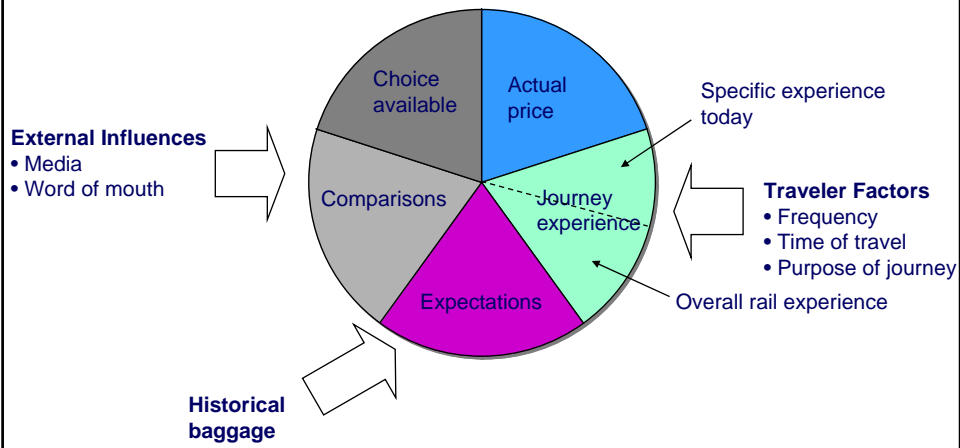
Fares more an issue when prompted and possibly at point of travel

Calculating Cost of Travel by Rail



Cost calculations quite narrow but many factors impact on VFM perceptions

Factors Impacting on Perceptions of Value for Money



VFM very subjective & complex picture, often less about price itself & more about combination of other factors

Role of Ticket Types on Fare Perceptions

QuickTime™ and a TIFF (Uncompressed) decompressor are needed to see this picture.

Barriers to Purchasing Best Value Tickets



Rail passenger

QuickTime™ and a TIFF (Uncompressed) decompressor are needed to see this picture.

QuickTime™ and a TIFF (Uncompressed) decompressor are needed to see this picture.

- Numerous tickets types overwhelming
- Names of tickets often seen as meaningless
- Lack of consistency between TOCs on ticket names
- Lack of knowledge/experience of journey
- Not trusting staff to give best deal
- Strange anomalies e.g. two singles less than return
- *“Person next to me always has better deal”*

System currently putting many obstacles in way of rail users being able to (or perceiving themselves to be able to) buy best value tickets

Choice Complexity Paradox

Consumer given choice



- (Super)Apex
- (Super)Saver
- (Virgin) advance value B
- Standard open return
- Weekend first etc.

Perception of complexity

- Not seen as real choice since only 1 or 2 relevant
- Vast number of ticket types
- Minefield for user
- Unclear how to choose
- 2 singles or return adds to complexity
- Fear of choosing wrong type
- Fear of not getting best deal





Consumer is confused



Consumers do not want to be making these decisions since not felt to be their area of knowledge or expertise

Suggested Solutions to Choice vs Complexity

Spontaneous Suggestion:

	First	Standard
Peak		
Off Peak		

OR

Considered View:

Destination

Date

Time

Flexibility

We will now calculate your fare

- Simplistic
- However, unlikely to offer best value

- Applicable to all purchase channels
- Will always calculate best fare
- Removes complexity of choice
- But choice not apparent

No perfect solution, but potential to improve peace of mind that getting best deal through second option

Perceptions of Saver Tickets

- ❖ Terminology familiar to many, but vague on details
- ❖ Evidence that many using without realising
- ❖ No awareness of government regulating specific tickets
- ❖ High interest on exposure to details

BUT

- Advance bookers unlikely to change habit
- Confusion over usage conditions / restrictions

Although little is known about Saver tickets, consensus that infinitely preferable to market pricing by TOCs

Discounted Fares

Current Perceptions of Discounted Fares



Most have only partial view of discounted fares available - if at all

Advanced Booking Discounts

Commuters

- non-issue
- not available
- no confusion

Business

- need flexibility more
- seat reservations
- 1st vs Standard
- low awareness



Leisure

- long distance
- planned only
- unspontaneous
- many confused



Railcard

- obviates need
- ongoing discount
- low consideration



Qualitative indications that many passengers not getting best value ticket for which they are eligible

Managing Demand & Creating Fairer Structure

Managing Demand and Incentivising Commuters

"It's still a 9 to 5 society and it's hard for people to break away from that mentality"

Some initial ideas:

1. Commuters to lobby employers for more flexible working hours
2. Increase fare differential between peak & off peak travel
3. Flexible period ticket with retrospective charging (like Oyster)
4. Promotions & special offers on off peak trains
5. Vouchers with off peak journeys to redeem against future travel
6. Free drinks / newspapers on off-peak trains
7. Need to re-define am peak time...

Most impactful measures likely to be those that change mindsets (of both commuters & employers), but also likely to be most challenging to implement

Re-Defining Peak Time

"Sometimes I travel at 6.30 in the morning when the trains are empty so why do I have to pay peak rate?"

- ❖ Re-defining (morning) peak time may have potential as way of managing demand and encouraging commuters to travel on less busy trains
- ❖ Concept especially interesting among workers with flexitime arrangements (including Civil Service)
- ❖ Theoretical appeal also among low paid workers without flexible arrangements

May be worth exploring potential re-definition of peak time further

Conclusions & Recommendations

Conclusions

- ❖ Fares important, but viewed in conjunction with other factors
- ❖ Complexity causes confusion among some user groups
- ❖ Flexible working is changing requirements for period tickets
- ❖ Advance booking discounts important for longer journeys
- ❖ Interest in inclusive rather than exclusive railcard
- ❖ Difficult to manage demand without adding to complexity
- ❖ Fares & cost not always key reason for non usage

Current complexity of fares infrastructure not allowing consumers to feel they are achieving best value on fares

Recommendations

Commuters

Promote benefits of season tickets
Consider more flexible period ticket products
Change 9-5 mindset
Incentivise off-peak travel

For All

National Railcard
Establish best fare system for ticket purchase
Further promotion of deals

Non-Rail Users

Promote current deals further & communicate
benefits of rail travel

Passenger Requirements of Rail Fares Research

Summary of Research Findings

Andy Firman
Research Director
Outlook Research



Stewart Palmer
Managing Director

SOUTH WEST TRAINS

A wholly-owned subsidiary of Stagecoach Group

SOUTH WEST TRAINS



- Overall rising passenger volume
- Big improvements in customer satisfaction
- The acid test – do people part with their cash

SOUTH WEST TRAINS



- **SWT has a clear vested interest in optimising it's revenue**
- **Most of our passengers are "turn up and go"**
- **Have to recognise trade off between product complexity and optimising revenue/loading**

SOUTH WEST TRAINS



- **Don't underestimate customer knowledge**
- **Technology has changed the retail environment**
- **Let people make informed choices, not tell them what is good for them (i.e. regulation)**

SOUTH WEST TRAINS

New Advance Purchase Fares

Jamie Burles
Commercial Director



Pricing strategy

Five phases:

- Research
- Fares simplification
- Drive demand through promotion
- Maximise passenger and company benefits through revenue management system
- Ongoing review



Background

- Aim to increase travel from new, lapsed and existing leisure customers
- Need for change even greater due to depressed leisure demand after July terror attacks

Complexity

- Customer research highlighted there were too many fares, different bookings deadlines and different restrictions
- Due to the complexity, the range was also difficult to retail



The new simplified range

- Introduced for travel from 25 Sep 2005
- Fares simple and straightforward for customers
- One way fares - transparency
- Small steps between each fare
- Consistent booking deadline, rule for refunds, changes, Railcards and Child fares
- Great value - prices from £6 one way to London
- Previous lowest fare had been £20 return



Effectiveness

- +30% increase in advance purchase fares year on year
- Prior to the new fares, volumes had been negative versus previous year due to London terror attacks
- Complaints re ticket quotas and conditions have fallen
- Some modal shift from car/bus/coach
- Some new, lower income users
- Positive retailers



Launch promotion

TV advertising, Direct Marketing, PR



08457 125 678 londonbytrain.com



Un-fare? The future of fares and ticketing in Great Britain

Workshop one “Integrating London’s travel – fares and ticketing”

Examining the introduction of the Oyster card for travel within London zones and debating to what extent this can be integrated with the national rail network.

Speakers: Charles Monheim, Transport for London
Paul Smith, Association of Train Operating Companies

Chair: Brian Cooke, board member, Passenger Focus

Note taker: Rachel King, Passenger Focus

Presentation from ATOC

- January 2007 is the date for roll out of zonal fares on to National Rail
- Possible pay-as-you-go structure sometime in the future
- Train Operating Companies, Transport for London and the Department for Transport are all working very closely together to develop future ticketing systems
- Southern are already introducing zonal fares to match Transport for London's
- 15% of National Rail network in London is already on Oystercard
- Retailing is the major problem to rolling out the Oystercard. It is easier at jointly run London Underground Limited/National Rail stations, as the staff will already issue both normal tickets and Oystercards
- All Purpose Ticket Issuing System (APTIS) is to be replaced in December
- Further smartcard initiatives will be included in future franchise bids, this will help to accelerate the spread of new systems to other TOCs

Presentation from Transport for London (TfL)

- The main issue of debate with Oystercards is fares followed by ticketing
- Fairness is important – Oystercard needs to be an inclusive system
- Structure generates revenue – getting the correct fares structure is extremely important
- Accessibility to the system is essential
- Efficiency of usage is important
- Daily price capping on Oystercard helps passengers make an informed choice when travelling i.e. passengers understand how much x number of journeys will cost
- Future ticketing? – mobile phones, contactless credit cards

Key points from the discussions

- London is already extremely well integrated
 - this includes integration with the rest of the country with cross-London ticketing
- Fares are the main issue
 - affordability, range of fares etc
 - the main issue is not the way in which they are distributed i.e. what form the ticket takes – paper, smartcard etc
- Fairness is key - the system need to be inclusive
- Price capping is a plus for passengers
- Spreading capacity – can smartcards help to solve capacity problems in the peaks? Can they incentivise people to travel at alternative times?
- Can there be a system of capping season tickets so passengers do not have to pay the full cost up-front?
- DfT need to ensure that smartcard type ticketing systems are included in all franchises in the future.

National Rail : London Fares and Ticketing

- Paul Smith
- Director, London Support : Association of Train Operating Companies

National Rail : London Fares and Ticketing

- Notwithstanding Oyster, we are already highly integrated in London:
 - Travelcard offers good value multi-modality, and we retail through London, and the South East, and beyond...
 - Through Ticketing from most National Rail stations to London Underground, DLR and Croydon Tramlink
 - Cross-London ticketing, through DLR and LUL, for National Rail customers
- We know that customers welcome and value these arrangements...

National Rail : London Fares and Ticketing

- Recent, positive developments on National Rail:
 - TOCs lead the introduction of “Peak Day” Travelcard, now selling over 50,000 per day
 - TOCs/TfL have introduced through “Train/Tube” fares
 - from National rail in London to LUL – price savings/simplicity
 - TOCs have retained Family Travelcard – outside of London at least
 - ONE TOC (and maybe more) has introduced a full zonal fares structure on its “Metro” network, a precursor to:

National Rail : London Fares and Ticketing

- Roll out of “zonal” fares to “National Rail” throughout London from January, 2007
- Initially for single and returns, but ultimately for seasons
- Will facilitate roll out of Pay as You Go (PAYG) to National Rail
- A Joint Group – TOCs/TfL/DfT is working on the detail at this very moment...

Oyster on National Rail in London

- 15% of all National Rail journeys (wholly within London) are already on Oyster
- We accept Period Travelcard (and Freedom Pass), but retailing is more difficult for us:
 - APTIS/ANT solution for “joint” stations is time-expired but replacement is imminent
 - And other retailing solutions are being developed, for more extensive roll-out

Oyster on National Rail

- We accept “Pay as You Go” on 10 interavailable routes, and want to extend
- But “PAYG” operates on “Touch In/Touch Out” principle – relying on a closed (gated) environment: we are mostly open (non-gated)
- We need to find a solution for NR environment that reduces risks and is customer friendly
- That may be (a few) more gates and adapted validators...

Oyster on National Rail

- Recent announcements by DfT remove some uncertainty:
 - We will move forward with Oyster in London, and with ITSO beyond (with other partners)
 - Inclusion of Oyster PAYG in future franchise bids, starting with the SW franchise, will provide necessary impetus, and working with DfT, process can be accelerated before franchise renewal
 - Dual-fitting of equipment in London will facilitate expansion/integration

Oyster on National Rail in London

- We are committed to the extension of “Smartcard” in London...
- We recognise that customers value the convenience – in regular, daily use and retailing
- And we recognise the opportunities that remote/auto retailing might bring...
- But we want to become full retailing/carrying partners, and discussions to that end will move forward with TfL...

Un-fare? The future of fares and ticketing in Great Britain

Workshop two – “Fares and social inclusion”

Would changes to fares policy run the risk of creating a ‘rich man’s railway’ and making rail unaffordable and inaccessible to many passengers – what impact will this have on rail as a form of social transport?

Speaker: Stephen Joseph, Transport 2000

Chair: Barbara Saunders, board member, Passenger Focus

Note taker: Peter Thompson, Passenger Focus

Key Points

Stephen Joseph referred to The Case for Rail (SRA, 2001) which highlighted that rail is used substantially by those not in social class A or B, despite perceptions that sometimes exist of ‘a middle class railway’.

Key measures that can be used to aid social inclusion include:

1. Protection of affordable walk on fares.
2. Extension of Railcard availability.
3. Targeting discounted fares at particular groups.
4. Holding fare increases to the rate of inflation.

Disappointment at the level of DfT presence at the conference was expressed along with a desire for a clear direction from government on the context of ‘everyone’s railway’.

Issues highlighted include:

- Problems of complexity are accentuated for passengers with learning and communication disabilities
- Regional devolution can be negative for passengers if poorly co-ordinated, for example Senior Bus Passes have been problematic where journeys involve crossing regional boundaries
- Long distance commuters travelling from affluent areas into London are currently receiving very good value for money season tickets; this in effect means that the price they pay per journey is significantly lower than many other passengers. The result is that many passengers can not afford to travel in the peak when they would like to
- Limited integration between rail and taxi / minicab that could allow ‘whole journey’ solutions
- Personal security is a serious barrier to usage for some
- Importance of communicating to passengers on what already exists in terms of fares and ticketing was viewed as more important than new structures by some

- Transport for London are developing a concentrated public transport information campaign in Kingston, the results will be useful in informing how effective this is in changing travel behaviour
- Initiatives with major employers to encourage more public transport friendly policies are needed

Next steps

The group agreed that:

- the context for 'Everyone's Railway' must be set by Government
- the issue of fares has to be seen as an element of the total journey experience for which the subtext is capacity, costs and alternatives
- improving information is essential

Un-fare? The future of fares and ticketing in Great Britain

Workshop three – “Airline-style fares and ticketing”

To what extent are train companies taking a lead from airlines in introducing flexible, book-ahead travel and what impact does this have on passengers?

Speaker: Graham Leech, Virgin Trains and Laurie Price, airline consultant, Mott MacDonald

Chair: Kate Gordon, board member, Passenger Focus

Note taker: Phil Wilks, Passenger Focus

Key Points

Graham Leech (*Pricing Manager, Virgin Trains*) and Laurie Price (*Mott McDonald*) compared and contrasted the options available to each type of carrier for maximising revenue and seat occupancy and the similarities and differences between land- and air-transport operators.

Similarities: for longer-distance journeys passengers tend to plan journeys in advance. All such passengers have a seat. Both air and rail experience peaks and troughs in demand.

Mr Leech explained how rail differs in that a train from A, calls at B, C, D etc (with possible connections into and out of that train) en route, whereas an aircraft tends to fly direct. No limits apply to the overall numbers of passengers who may seek to travel on a specific train, leading to possible overcrowding, alien to aircraft practice. Book-ahead tickets help smooth demand and avoid overcrowding. As such:

- it enables the operator to offer cheaper fares
- it increases the affordability of rail and the number of passengers using rail
- controls demand while retaining capacity for turn-up-and-go traffic
- additional revenue reduces subsidy and/or increases premium payments.

Virgin attributes much of the confusion and complexity to the range of ticket names, which it has sought to simplify by emulating airlines' lead in better packaging and presentation of relevant price and availability information. The industry as a whole needs to simplify its offer and presentation to customers.

Laurie Price explained the perishable nature of airline seats and the need to fill as many as possible, which has led to the current pricing policy. Yield maximisation is vital, through maximising revenue and contribution. Air transport is further constrained in its fare policies by international regulations and currency fluctuations.

Discussion followed the two opening presentations.

Steven Abbot of the *East Midlands Passenger Forum* counselled train operators away from the temptation to tie cheap-ticket deals in with unavoidable add-ons for insurance and other unwanted extras.

James Craddock of “*Which?*” proposed that the industry use technology which reacts to the passenger's input of how much he is prepared to pay for a journey. Laurie Price confirmed that

such software was available in the airline industry, but Graham Leech warned of the additional difficulties in the rail realm: number of trains and calling patterns. John Truelove (*National Rail Enquiries*) explained that the feasibility of such a feature is being investigated for use by callers to NRES.

On the question of making book-ahead fares availability (by telephone, online or at a ticket office) Bill Samuels (*Passenger Focus*) emphasised the need of everyone having easy access. Mr Leech referred to new developments such as producing tickets on domestic printers as rail has to move with the times and keep abreast of technological advance and customer preference or lose business.

Howard Thomas (*Railfuture*) highlighted some people's preference to face-to-face bookings and their aversion to tele-sales. The panel, while understanding this, pointed out the much higher cost which such a service entails.

Kate Gordon (*Passenger Focus* Board member and Workshop Chairman) welcomed Mr Leech's recognition of the need for book-ahead and turn-up-and-go fares to co-exist, although he drew attention to the difficulties faced by the industry in providing capacity for both and of communicating satisfactorily the different types of fare available. Mr Leech explained that although the current booking window is around nine weeks Virgin Trains is investigating how intending passengers can apply for book-ahead tickets far in advance of this timescale, when booking summer holidays; the company wishes to become more passenger-focussed and less operationally tied.

In response to Mark Smith's (*DfT- Manager, Consumer Protection Team*) enquiry whether research had been undertaken into the viability of a yield-management walk-up fare, Mr Leech suggested that enhancements to the reservation system would be required first.

Vinita Nawathe (*Passenger Focus, Policy & Research Director*) remarked that walk-up passengers, paying the highest fares, often have to stand. Last-minute reservations should be possible. Mr Leech acknowledged that some passengers still want to buy tickets at the station and the system must allow for current usage.

Next steps

- To emulate airline practice by ensuring benefits to passengers by providing easy-to-understand presentation of fare and availability information
- Book-ahead and walk-up need to co-exist. The greater complexity is a necessary drawback to easier understanding of the fares structure
- The rail industry has much to learn from the strength of competition of the airlines, and it should recognise the real competition which airlines pose in the longer-distance market

Un-fare? The future of fares and ticketing in Great Britain

Passengerfocus – Fares Conference

Wednesday 12th April 2006

Workshop on Airline fares

Laurie Price

Director of Aviation Strategy

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Which of these is the most perishable?



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Airline pricing principles

- Maximise Revenue
- Maximise Contribution
- Maximise Yield
- Make a Profit
- Market versus Cost-based Pricing

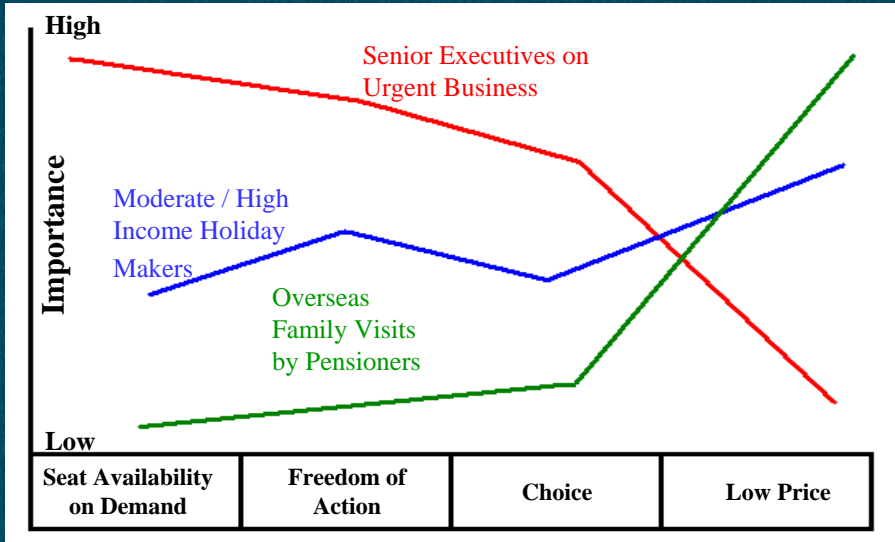
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Know your passengers – what do they want; what can they afford?

		Air Travellers									
		Business			Personal			Pleasure			
Characteristics		Individual Business Travel	Business & Pleasure	Conferences and Delegations	Visiting Relatives	Education	Funerals	Package Holidays	Ethnic Groups	Incentive Travel	Personally Arranged Holidays
① Destination	Fixed	Red	Pink	Pink	Red	Red	Red	White	Red	White	Pink
	Immaterial	White	White	White	White	White	White	Green	White	Green	White
② Timing	Critical	White	White	White	White	White	Red	White	White	White	White
	Important	White	Pink	White	White	Pink	White	White	White	Red	White
	Immaterial	White	White	White	Green	White	White	Green	Green	White	Yellow
③ Price	Critical	White	White	White	White	White	Red	Red	Red	Red	Red
	Important	White	Yellow	White	White	Red	Red	White	White	White	White
	Immaterial	Green	White	Green	White	White	White	White	White	White	White

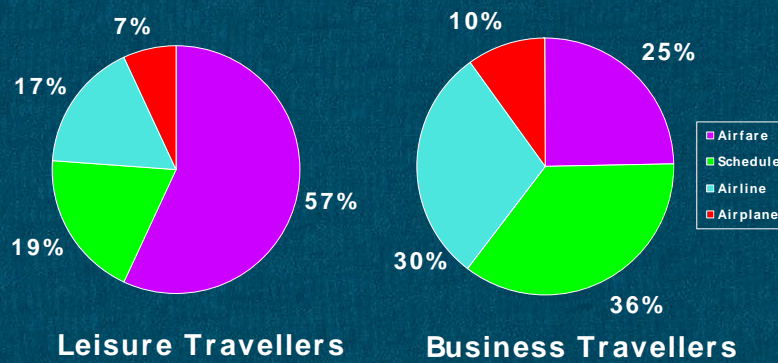
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Product & Pricing Features vs. Travel Motivation



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Tourists are Most Sensitive to Airfare



Source: Boeing-sponsored traveller survey

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Cost comparisons in a changing industry

<u>2000</u>	<u>%</u>	<u>2006</u>	<u>%</u>
• Pax costs	9	• Pax costs	1
• Fuel	6	• Fuel	14
• Eurocontrol	4	• Eurocontrol	4
• Crew	15	• Crew	14
• Marketing	3	• Marketing	4

Source: Air Southwest

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Issues in airline pricing and fares

- The market
- Competition
- Costs
- Yield management
- Products
- Added “add-on” value
- Establishing a level playing field!

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Un-fare? The future of fares and ticketing in Great Britain

Workshop four – “The case for a national Railcard”

Debating the pros and cons of introducing a national off-peak Railcard and examining how such a product might be developed

Speakers: Peter Lawrence, Railfuture and David Mapp, Association of Train Operating Companies (ATOC)

Chair: Christine Knights, board member, Passenger Focus

Note taker: David Greeno, Passenger Focus

Key Points

Peter Lawrence from Rail Future and David Mapp from ATOC presented the reasons why they respectively supported and were against the concept of a national railcard being introduced in Great Britain.

Peter Lawrence explained that Rail Future (then called 'The Railway Development Society') had commissioned research in 2003 from The Railway Consultancy Limited. The results suggested that a national railcard would generate a considerable number of extra journeys off-peak, when spare capacity is available, and rolling stock & train crews are not fully stretched. Peter said that results indicated that profits would be maximised when the card is priced at £30 and offered discounts of 50%. Approximately 2.6 million cards would be sold and this would generate £74 million incremental profits (at 2003 prices). Peter added that the main aim of the National Railcard would be to generate extra journeys to fill trains.

David Mapp in his presentation said that Britain had the fastest growing railway in Europe and therefore there was 'not a problem' in terms of a need to generate extra journeys. David explained that whilst targeted railcards were generally successful, evidence suggested that any form of national railcard would be loss making. The Strategic Rail Authority had commissioned MVA (following the publication of the research conducted by The Railway Consultancy Limited) to carry out a study on the concept of a national railcard. This study was a larger one than Rail Future had been able to carry out. A national railcard would generate more journeys and would have social benefits, but the only card that appeared to be profitable would be a cheap (£10) card with a 10% discount on journeys (which would not be practicable). The national railcard would also undermine existing cards/deals.

Comments and questions from workshop attendees explored various ideas. Regional railcards and targeted reductions were felt to be ideas that could work in some areas. A loyalty card or cards was also felt worthy of consideration. The idea had also been explored in 1987, and although it had failed then there was general agreement that it should be considered again.

Attendees gave examples from abroad, for example in Switzerland (where a national railcard was successful) and Hong Kong (where an Octopus card was successful). Note: An Octopus card is similar to an Oyster card but provides more benefits.

The idea of a 'Groupsave card' was also raised, and this was particularly welcomed. This would provide people travelling in groups of two or more with a discount on their journey, and on a few routes the concept exists now. David Mapp from ATOC agreed that this idea was worthy of consideration.

The issue of trying to 'get the message across' about the advantages of rail was also discussed. It was agreed that there needed to be a targeted approach, a need to 'think out of the box', a need for integration, and a need to be realistic in addressing the concerns of DfT (if a scheme is expected to bring in more passengers and revenue then DfT are likely to be happy).

Next Steps

In summary the participants agreed that the next steps should be:

- To explore new constructive ideas like the roll-out of the Oyster cards (in London) and possibly incorporating ideas from the Octopus card (in Hong Kong)
- To investigate the possibility of a national group railcard being introduced when 2 or more people travel together
- Recommendation that ATOC, DfT and Passenger Focus should work together in future research

The National Railcard

A Card Too Far?

David Mapp
Commercial Director, ATOC

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

Some Essential Background (1)

- The rail industry has been remarkably successful in generating additional revenue and volume since privatisation.
- Passenger journeys and kilometres have grown by 38% and 40% respectively, over the last 10 years, the best growth record in Europe.
- The existing targeted Railcards (Young Persons, Family, Senior and Disabled) have played their part in this.
- These Railcards are profitable (over £60m profit per year) and account for around £400m of industry revenue.

1

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

Some Essential Background (2)

Existing Railcards are successful because:

- They are targeted at specific market segments, facilitating effective marketing (around £2.5m in 2006/7);
- They are used by market segments that are more price elastic, driving revenue and volume generation;
- They have a low risk of use by business travellers, thus minimising the risk of abstraction from higher value fares.

2

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

A National Railcard?

- Initial research commissioned by Railfuture but more recent research undertaken by consultants, MVA on behalf of SRA.
- The MVA research provides a key contribution to the debate and will be quickly summarised.

3

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

National Railcard – MVA Evaluation

Methodology:

- On train and 'at home' fieldwork;
- 2690 initial / 794 final interviews;
- Rigorous, stated preference, trade off methodology;
- Explicit account taken of varying trip frequencies, crowding and other special features;

Wide range of range of Railcard prices / discount levels / other restrictions tested and modelled.

4

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

National Railcard – Results of MVA Evaluation

- All 'simple' card formulations (10% - 30% discounts, card prices between £10 and £200) were loss making except 10% discount cards.
- Based on morning peak and APEX exclusions.
- Report notes that 10% discount level results may be overstated.
- Results were better when additional restrictions were added in but card formulations become increasingly complex.

5

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

MVA Research – Summary of Key Results

Railcard Price	Discount Offered	Restrictions (all excl. morning peak)	Industry Financial Effect
£15	10%	Excl APEX	+£25m
£15	10%	All tickets	+£20m
£25	20%	Excl APEX	-£4m
£25	20%	All tickets	-£12m
£35	30%	Excl APEX	-£38m
£25	20%	AM & PM restrictions	+£8m
£25	20%	£20 minimum fare	+£9m
£25	20%	£20 minimum fare, AM & PM restrictions	+£16m
£25	20%	Group of 2 (specified)	+£23m
£35	30%	Group of 2 (specified)	+£8m

6

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

Other National Railcards

- Railcards in France, Germany, Italy and Netherlands analysed.
- Generally more expensive, more restrictive or lower discounts than either existing GB cards or proposed 'National Railcard'.
- Handout gives details.

7

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

National Railcard - Conclusions

- A 'simple' National Railcard would generate additional volume and potentially have societal benefits but
- Based on commercial experience, MVA research and existing research into targeted Railroads, we believe that any 'marketable' National Railcard would be loss making.
- This would result in lower bid premiums or high levels of subsidy entailing a greater call upon the taxpayer or require financial resources to be diverted from other areas of the industry.
- A National Railcard would also potentially undermine the existing, targeted Railroads and advance purchase fares / yield management systems designed to drive new, off peak demand.

8

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

National Railcard – Conclusions (2)

- However, ultimately this is a DfT decision and, if instructed to implement a National Railcard, TOCs would do so as effectively as possible, provided appropriate adjustments were made to franchise agreements.
- Butwe believe a 2 person / small group Railcard, which researched relatively well, is worth further (rigorous) investigation.

9

ATOC

ASSOCIATION of TRAIN OPERATING COMPANIES

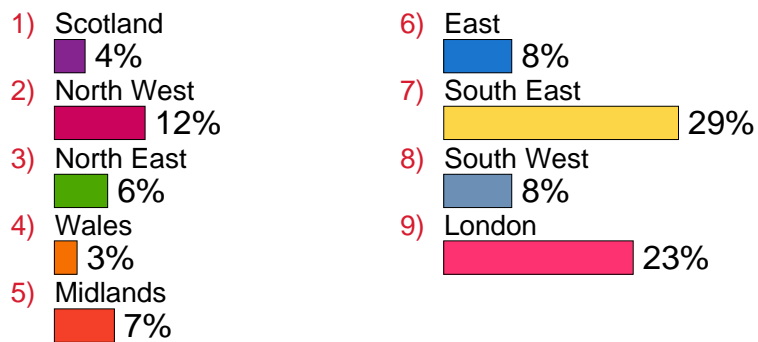


Interactive voting

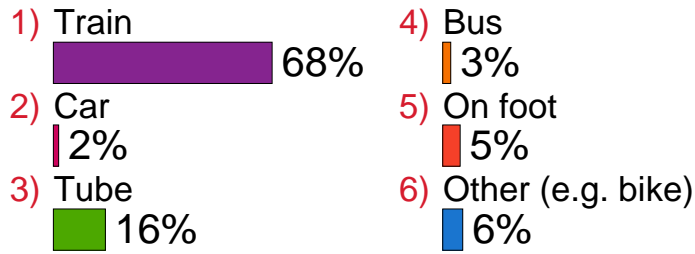
Results



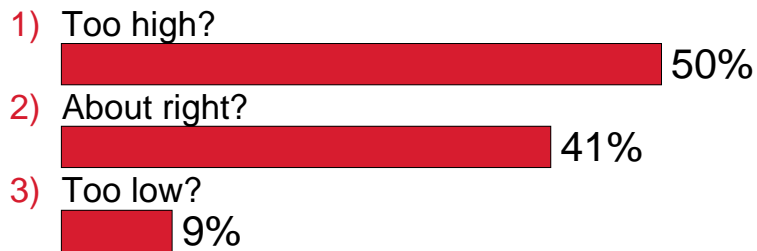
Test Question:
Which part of the country are you from?



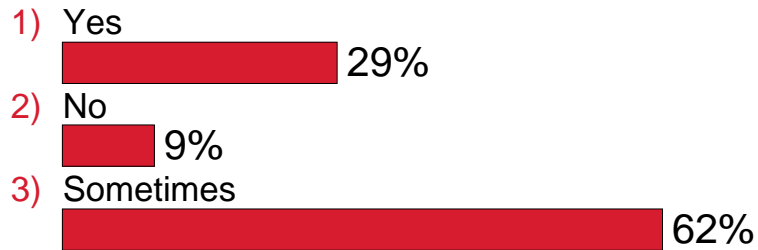
Test Question:
How did you get here today?



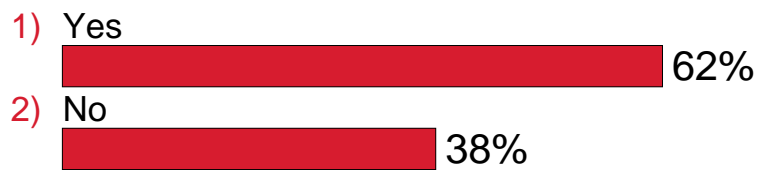
1. Do you think the price of rail tickets is:





2. Do you think rail travel offers value for money?



3. Assuming the amount taxpayers pay will not increase, do you think fares should rise to pay for investment in the rail network?



3a. If yes, would you prefer to see:

- 1) Significant rises in the short term
 14%
- 2) Smaller rises each year for the long term
 86%



4. Do you think that passengers are confused by the range of ticket types available?

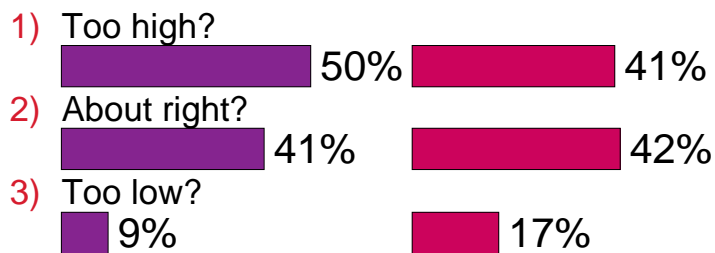
- 1) Yes
 87%
- 2) No
 13%



5. Do you think there should be regulation on off-peak, turn-up-and-go long-distance tickets?



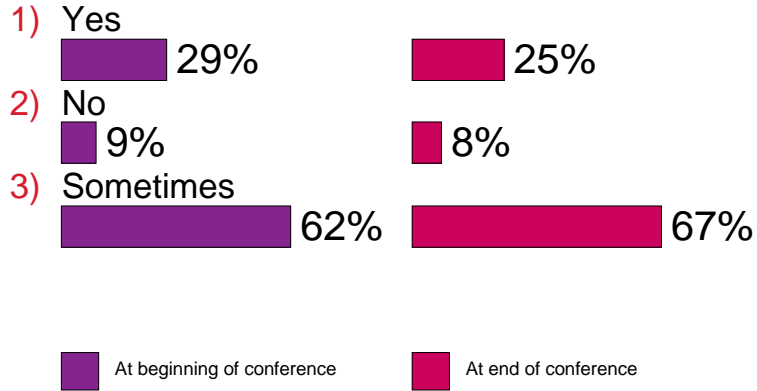
6. Do you think the price of rail tickets is:



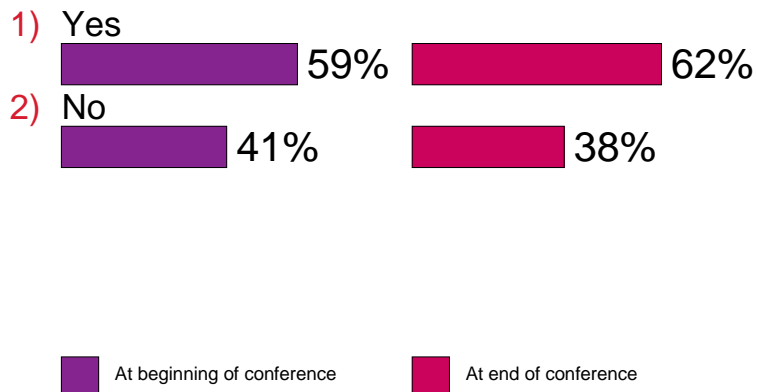
At beginning of conference At end of conference



7. Do you think rail travel offers value for money?



8. Do you think there should be regulation on off-peak, turn-up-and-go long-distance tickets?



Un-fare? The future of fares and ticketing in Great Britain

Wednesday 12 April, Queen Elizabeth II conference centre, London

Of 140 attendees at our fares Conference, 85 returned their feedback forms, representing a 61 per cent response rate.

How useful?

Of those, 93 per cent rated the event as quite or very useful with several people noting that this had been one of the best Passenger Focus events on one of the most complex and challenging subjects in today's rail industry.

Quality of the event

Similarly high scores were received for the quality of the event, with over 80 per cent of delegates ranking various aspects of the event as four out of five or above.

Range and quality of speakers

The quality and range of speakers this year were particularly impressive and many attendees commented favourably on the high calibre of the speakers. Feedback included:

- *"A good variety of speakers with a range of backgrounds and experience which balanced the event"*
- *"Excellent speakers in the morning session"*

Some delegates mentioned that they would have found it beneficial to hear from a central government representative at the conference. The Department for Transport was invited to provide a speaker to deliver a keynote address, unfortunately they were unable to offer anyone on this occasion.

Opportunities for audience participation

Also commended were the interactive aspects of the event, with the 'have your say' voting sessions proving very popular:

- *"Audience voting – very good!"*
- *"The interactive voting included delegates in the day and was most enjoyable. The use of workshop groups really livened up the afternoon"*

People were asked whether they felt they had an opportunity to contribute fully to discussions and to give their views throughout the event. Of those responding, over 80 per cent said 'yes'.

Workshops

Delegates found the workshop sessions useful in providing a smaller forum for more detailed debate of a singular issue, although some feedback indicated that a few of the workshop groups were too large to create an environment for valuable learning and discussion.

Some people felt that a more clear-cut structure to the session would have helped both speakers and participants to focus more on outcomes and several respondents requested that such

sessions be longer to allow more in-depth examination of an issue. Generally however, the feedback was positive, with 70 per cent of people rating the quality of discussion in their workshop as four out of five or above.

- “A stimulating debate which raised many big issues and started to grapple with some solutions – very constructive.”
- “Good speaker presentations – more opportunities for discussion would have been helpful.”

Overall impression of the event

Delegates were also asked to rate the overall event out of five and it was pleasing to see that 77 per cent of attendees ranked it at four or above:

Feedback included:

- *“Great to see representatives from Age Concern, Soroptomist International etc. This clearly demonstrates Passenger Focus’ commitment to partnership working”*
- *“Very well organised and professional day”*
- *“A good conference on a difficult subject”*

Future topics for events

Delegates were asked to suggest topics for further discussion at Passenger Focus events. By far the most popular was how the rail industry can work together to meet the needs of passengers with different travelling requirements, such as older people, younger people and passengers with disabilities. Social inclusion for disadvantaged sections of society was also suggested as a future topic for discussion.

Other suggestions included the future of e-technology in ticketing, the provision of information during service disruption, personal safety and the future for rural rail services. These will be taken into consideration when putting together agendas for future Passenger Focus events.

Equal opportunities monitoring

As part of our commitment to equal opportunities, a section of the feedback form included a request for information about gender and ethnic origin. This was so that we could monitor the representative nature of attendance at our events and to assess whether Passenger Focus offers equality of opportunity and treatment to all ethnic groups.

Of those completing this section, 60 per cent were male and 93 per cent classed themselves as white British. While this does not show a particularly balanced attendance profile at the moment, we hope that by monitoring attendance and actively promoting Passenger Focus and its events, we will be able to attract a more representative audience to future events.