



Easier fares for all

The Rail Delivery Group's proposal for a more transparent, simpler to use, modern system of tickets and fares



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THANK YOU

Thank you to the 19,159 people who responded to the Easier Fares Consultation and to all the organisations who shared their views on fares reform with Rail Delivery Group.

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Rail Delivery Group





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It's a big, bold ambitious set of proposals which would deliver a more flexible, intuitive, transparent and trusted fares system

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**Paul Plummer, CEO,
Rail Delivery Group**

The railway has changed beyond recognition since a new model for running it was introduced in the 1990s. A partnership between the public and private sectors has delivered growth and innovation - increased revenue for the taxpayer, better journeys for customers and more services that support local economies. But despite investment and improvement over the last 25 years, it is clear that the system must once again be reformed to deliver more.

One area that is crying out for change is the system of fares and ticketing. As a public service the railway is unique in being part-funded by the £10 billion in fares paid by the people who use it, so it is vital that the range of fares on offer makes rail an attractive choice by supporting the way people want to travel today. Crucial too is that the public has confidence and trust in what they are buying.

While rail operators have been working with the UK government and devolved authorities to make improvements, for example cutting jargon and improving ticket machines, further change has been hamstrung by the structural limits of the system as it was originally conceived. At the same time, changing social and economic needs alongside rapidly evolving technology and shifting customer expectations have meant that to stand still has been to fall behind.

That's why last summer, as part of the industry's long-term plan to change and improve, the Rail Delivery Group approached Transport Focus to work with it to conduct the biggest ever national listening exercise into

what a reformed fares system should look like. In all, nearly 20,000 people responded and we heard from 60 groups representing nearly 300,000 organisations. While their needs differed, they were united in wanting a fairer, more transparent, easier to use experience.

Reconfiguring a decades old system originally designed in an analogue era isn't simple, but this plan offers a route to get there quickly. It forms part of the rail industry's contribution to the review into the future of the rail system currently being undertaken by Keith Williams, but for the sake of our customers, we believe train operators and government, working together with passenger groups and others, should begin the process of change now.

The prize is to create a system that reflects how commuters, business and leisure customers travel today. One which makes the most of technology while maintaining discounts, looking after all groups of society and preserving regulatory protections for customers.

Ultimately, it is up to governments to pull the levers of change. So, this report is a call on them to work with us to update the necessary regulations and subsequently the system of fares. It's a big, bold ambitious set of proposals which would deliver a more flexible, intuitive, transparent and trusted system, encouraging people off the roads and on to the network and catalysing the railway to help the country to prosper in the decades ahead.

This document explains how, working together, it can be achieved.



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The time for piecemeal changes has gone – we need root and branch reform to maximise the benefits and boost value for money ratings... these proposals provide a compelling reason to proceed, carefully, to the next stage.

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**Anthony Smith, Chief Executive,
Transport Focus**

Moving on before knowing this, therefore, is something of a leap of faith, albeit a necessary one. There are some risks, but there are many benefits that are worth pushing for as well. It will be essential that the Rail Delivery Group and rail industry, in partnership with the Department for Transport and working with passenger groups, embark on a series of pilots where these proposals can be trialled.

These will provide a safety net in which the consequences of change can be worked through, mapped and understood.

On the basis that they are underpinned by a robust set of trials, these proposals provide a compelling reason to proceed, carefully, to the next stage.

Executive Summary





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We just need a simple, easy to understand fares system.

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Consultation respondent - Leisure traveller, female, 65-69, North West

The Rail Delivery Group (RDG) brings together the passenger and freight operators on Britain's railway with HS2 and Network Rail. It is proposing a root-and-branch reform of the current system of fares and tickets. With regulatory changes the industry can deliver what customers want: an up to date, easier to use system where they have more control over when they travel and how much they pay.

The railway is the backbone of the economy, moving people and goods across the cities, regions and nations of Britain, spreading wealth and opportunity. The sustained growth of the system over the last 25 years is welcome, but reforms are needed so that operators can utilise advances in technology to deliver the experience today's customers rightly expect. We recognise that maintaining the status quo is not an option – the railway and its customers will simply be left behind. The Williams review into the future of the railway system recognises this, and these proposals represent our first contribution to its work.

One area which is long-overdue for reform is the system of fares and ticketing. Well-intentioned but ultimately counterproductive regulations underpinning rail fares have remained unchanged from the mid-1990s, when the 1995 Ticketing Settlement Agreement (TSA) spelled out how fares should be set and sold. It sets out in detail how customers must be able to buy a ticket from each of the 2,500 stations in Britain to every other station in the country.

Since then, further layers of requirements have been added through individual franchise agreements, with little or nothing taken away. This means that long-standing anomalies have become locked-in, resulting in a system with over 55 million fares, created in fixed bundles (packaged combinations of fares) within a restrictive structure and in some cases, prices. Customers and ticket office workers then have to try and untangle which ones might suit them best, making it increasingly difficult to guarantee the right one. While operators have with the support of government worked to improve things – for example removing unhelpful jargon from over half a million tickets, making ticket machines easier to use, and making advance tickets available 10 minutes before travel – the underlying complexity of the system has bred distrust for customers. At the same time regulations have hamstrung the ability to offer better fares options to suit the rising numbers of self-employed and flexible workers. The result is that up to 35% of people for whom rail travel is an option are put off by the complexity of fares.*

* Accent and PJM Economics, 2016 'Fares Structures and Simplification – Advance Fares'.

To help us devise our proposals for reforming fares and ticketing, the RDG and passenger watchdog Transport Focus worked with SYSTRA, the independent consultation experts, to conduct a major listening exercise which received nearly 20,000 responses. We also met with representatives from organisations across the length and breadth of the country, including passenger groups, business groups, accessibility groups and local authorities, to hear what their priorities were for reforming fares. This was backed up by economic analysis and commercial modelling by consultants KPMG.

The research clearly showed that while customers don't seek a simple, one-size-fits-all fares approach, they do want fares that reflect their needs, and which are simple to use. They told us they wanted: value-for-money and flexibility; an easy to understand offer; tickets which are easy to buy; greater personalisation; protections maintained and redress if things go wrong; a system which reflects national and local needs; and, a sense of trust and confidence in the tickets they're buying.

Our consultation showed us that for public policy-makers, the objectives for change drive towards a tailored and responsive system which supports national and local economic growth, strong customer protection and confidence over fares revenue. For the rail industry, the priority is a system that improves the experience of customers, key to which is regulatory reform that delivers a financially sustainable fares system fit for the long-term.

In our judgement, these priorities are not in conflict and can be aligned in the design of a new system of fares and tickets which also enables Britain's railway industry to succeed. Before devising our proposals, we established some principles for reform based on what people told us in the consultation:

Value for money

reflecting the feedback that fares should make rational sense and that people want greater transparency over what they pay for and what they get.

Fair pricing

reflecting customer's desire not to have to find 'work arounds' or 'loopholes' to get the best price and for a guarantee that they are not overcharged.

Simplicity

making buying simple while retaining customers' choice. Reform is not about taking choice away, it is about innovating to make it easy to find the right fare.

Flexibility

reflecting customer's desire to see different needs accommodated; they want the ability to tailor fares and deals to what they need.

Assurance

reflecting the feedback that customers want clear, effective, transparent regulation to protect their rights.

These principles need to be balanced with:

- the need for fares to generate revenue for government, industry and devolved authorities to enable investment and growth.
- linked to the above, the need for operators to be able to manage prices to respond to their markets and reduce crowding by spreading demand.
- the need for local and regional authorities to be able to manage transport as part of integrated transport systems.

Based on what we have learned, we have arrived at proposals with a simple proposition at their core: that customers should only pay for the travel they need and the system is designed to give them the best value fare. To deliver this, we are proposing a two-stage approach to reform, underpinned by commercial trials which would give customers more opportunity for engagement with the proposed changes:

Stage One - Industry and government work together to reform the way that fares are worked out. This means government replacing the outdated Ticketing and Settlement Agreement (TSA) with a new set of system regulations.



The new fares system needs to be flexible, adapting to new working patterns, people working part-time, commuting to different locations on different days and so on. It is also key that business people are not penalised when they need to make last-minute travel plans.



Adam Marshall, Director General,
British Chambers of Commerce

Stage Two - With these new system regulations in place commercial changes will then need to be agreed with operators, reflected in new pricing regulations written in to their government contracts.



These changes would enable:

The ‘unbundling’ of fares, through a move to a single fare as the basic unit of all pricing in the new system, with algorithmic rules underpinned by regulation to allow and encourage the best combinations of single leg fares for return, through (allowing travel from any point on the network to another regardless of operator) and multi-journey tickets. This is similar to the way fares are currently structured within London, which has its own rules distinct from the rest of the network.

Train companies would be able to create discounted, premium, train specific and personalised variations of these fares, for example, charging less at quieter periods, more for first class, less for reduced flexibility, and so on. This ensures that fares are priced appropriately to market and are not simply the sum of their parts.

Protection from excessive fares through regulation of price levels rather than of a limited number of specific fares types that may not reflect customers’ needs. For example, moving from regulating the day return and 7-day Season Ticket for commuters, to regulating the maximum price paid when travelling over the course of a week - with systems programmed to deliver this automatically.

These changes would also enable local political leaders across the country to have more control over their local and regional transport systems where the decision has been taken (or is taken in the future) to devolve the relevant powers and responsibility. These reforms would increase their ability to co-ordinate train fares alongside other local transport in and around their cities. This is currently difficult even where those powers are already devolved, because rail-only fares are set under different national rules to local travel schemes.

Additionally, with our proposed reforms, a new system based on a single leg structure would allow the pricing of local fares to be disaggregated from the national fares structure of which they are a part. This could enable local decisions about pricing to be applied. For example it could allow low-wage employees in a city to be given cheaper travel if the devolved authority decided to prioritise and fund such a policy. Or, at a macro level, devolved authorities could be allowed to change the balance of funding between local taxpayer and local fare payer or choose when, how and if regulated fares should rise in their locality. Where devolution of transport control has taken place the result would be a fares system which better supports local economies.

Delivering a better fares structure also involves rebalancing fare levels to better reflect the value provided and to enable the benefits of technology developed since the Ticketing and Fares Settlement (TSA) was written, to be fully realised. This should, where it applies, focus on protecting price levels rather than being tied to specific products as the former inhibits innovation and exacerbates over-crowding.

In commuter markets using the current price of a 7-day Season Ticket as the basis for capping the maximum payable price for travel on a route or defined area, is a much more flexible way of protecting customers’ interests than regulating specific fare types and one that would enable the development of part-time and flexi Season Tickets, as well as pay-as-you-go schemes. Commuter fare levels are an important factor in the functioning of local economies and we consider that the detail of such regulation should be developed as part of the standard consultation and specification process for relevant contracts.

In long-distance markets current regulation protects customers who can travel within very specific off-peak times. This regulation has created quite significant distortions in the pricing structure, leaving some peak time services with empty seats while off-peak services either side are overcrowded. Independent analysis conducted by KPMG indicates that the current system could be hampering the ability to offer a range of good prices throughout the day.

We consider that external market forces exert a powerful incentive in this market but are aware of the need for assurance around protecting affordable access to the walk-up railway. We are therefore proposing that for contracted or franchised long-distance services, there could be some regulation of the overall level of revenue that can be raised while allowing appropriate demand management on individual services, so fares can be adjusted to make journeys more comfortable and customer experience is better aligned with the price paid. This would provide protection while ensuring a better spread of affordable fares across the day.

Our analysis has shown that these adjustments can be made while maintaining current average fare levels. For longer distance markets, this would mean lower fares for at least some Peak services, but with some slightly higher fares for busier services in the current Off-Peak period, designed to encourage better spreading of demand so that everyone can travel in more comfort. This has the potential to reduce overcrowding by up to a third on some of the busiest services. In commuter markets, the biggest change is likely to be more opportunity to save money where it is possible to travel Off-Peak at least some of the time, where under the current system the only choice is to buy a full price Season Ticket.

KPMG analysis indicates these changes could stimulate over 300 million more journeys on services with capacity for growth over a ten-year period, on top of the 1.7 billion journeys which currently take place on the network. These effects would take time to work through and predicted customer behaviours would need to be validated through early experiences of implementation. For this reason, a funding process would need to be identified to manage the transition.

Benefits to customers reform would enable include:



A simplified buying process - so people could buy from an easy to understand range of tickets online and on smart devices, or use pay-as-you-go, where payment is made automatically, giving them the same (or an even easier) buying experience as they have when paying for cinema tickets, groceries or hotel rooms. This would be supported by a retailing process that screens out irrelevant choices and which incorporates discounts, including railcards and fare caps, automatically.



Tickets that better reflect modern ways of working - existing old-style Season Tickets assume that commuters make the same journey at the same time five days a week. For many people, this regimented style of work is being replaced with flexible hours, days working from home, and visits to other sites, which means they're not getting the full value of their Season Ticket. New types of ticketing for frequent, but flexible, travellers could encourage them to journey Off-Peak by giving them alternatives to paying up front for unlimited travel, with no opportunity to save money by travelling at quieter times.



Customers having control over the journeys that they pay for - no more guessing whether to buy a return or two singles; customers would be able to mix and match their requirements from basic single fares and get the best price. With digital ticketing, in many cases they could just travel and let the system work out the best fare. This addresses head-on the question of fairness and the principle of customers only paying for what they need.



Easy change of plans - if customers want to change their choice, they could see immediately what their options are, how much it would cost, and they could make the change straightaway.



Hassle-free refunds - if a ticket is refundable and customer was entitled to their money back, they could sort it easily and quickly. This includes the possibility of automating Delay Repay payments where this is specified in contracts.



Good deals for everyone's travel needs - not only those able to lock down and stick to their travel plans weeks in advance. Most people live busy lives and need a degree of flexibility. Our changes would enable a better range of cheaper fares to become available, including enhanced availability of affordable on the day walk-up fares.



Being able to trust their ticket - wherever a ticket is bought, online, at a machine, or in person at the ticket office, the system would incorporate discounts, including railcards, and maximum fare caps into the new rules, so the customer would know they have the right ticket for their exact journey, at the best available price, every time.



No need to 'split tickets' - our proposals would mean that split-ticketing would no longer be necessary, because people would automatically be offered the best combination of tickets for their journey therefore paying the lowest price for their needs.



Where reform is fully implemented, and fares modernised the rail industry could stand behind this with a **Best Fare Guarantee**, ensuring that customers pay the cheapest fare that meets their requirements available at the time and place where they buy their ticket, without needing to wonder whether there is a better option.

These changes would also enable a system where:

- it's easy for customers to move between trains and different modes of transport with a single payment;
- smart ticketing technology can meet its full potential; with a better and more flexible fares system behind new interfaces;
- third party retailers are able to sell fares to customers through a bigger and better range of outlets and platforms; and,
- authorities are better able to manage their own local transport needs.

We want to work with government to begin reforming regulation and set-up a series of real-world trials over the next year to further test and refine how the propositions would work in practice. Commercial contracts would then need to be revised and agreed, starting a programme of reform which, with all parties working together, has the potential to be rolled out operator by operator across the network over the next 3-5 years. Such trials can really demonstrate the benefits to customers of reforming fares as set out above. They can also allow further commercial modelling on a train operator by train operator basis - a fundamental part of delivering a sustainable and successful new fares system.

Reforming the system of fares and tickets will make fares simpler to understand, and easier to buy, while offering better value-for-money. This document sets out our proposals for reform, backed by evidence, analysis, and popular opinion with a rolling programme of change deliverable quickly, based on sound principles and a clear understanding of what people want.

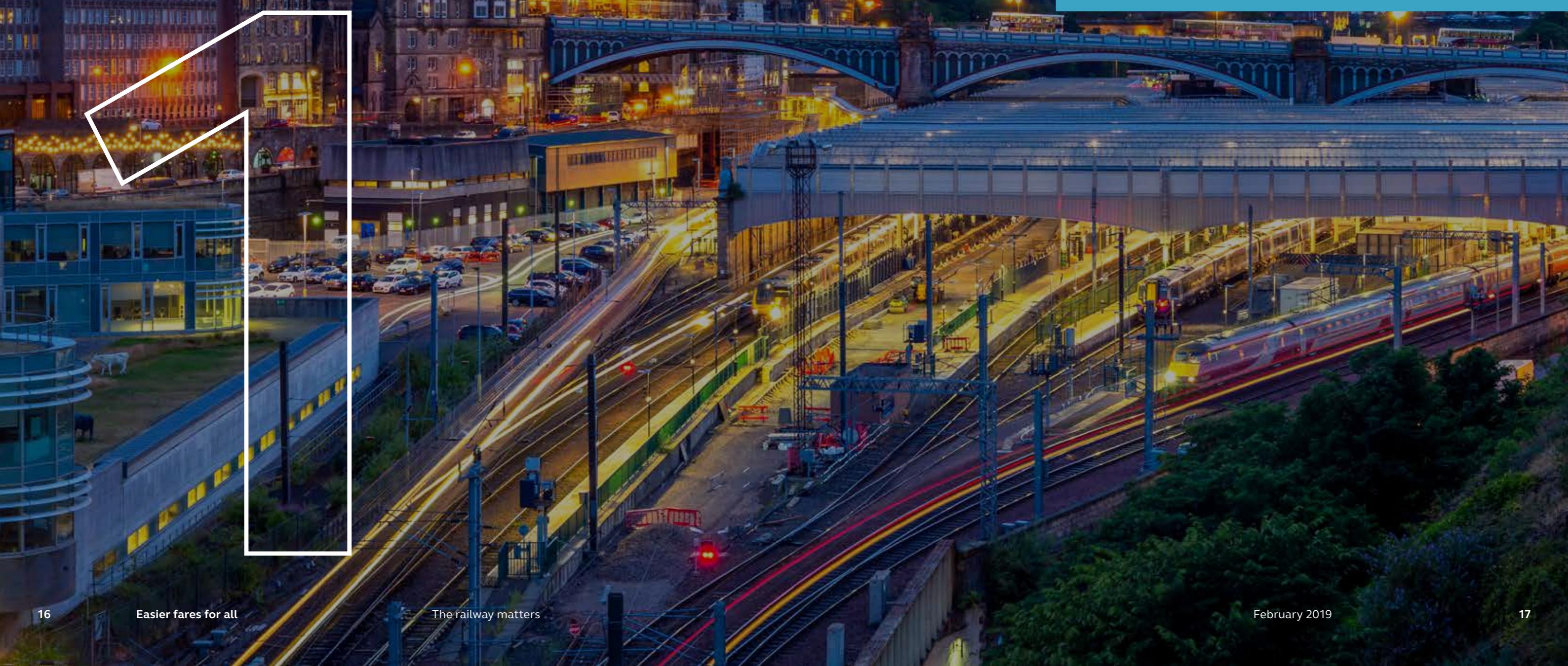
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The most important thing when buying a ticket is for it to be easy to buy the cheapest ticket available for the journey you want to make.

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Consultation respondent - Commuter, female, 45-54, East of England

The railway matters





The railway is too important for Britain's economy to fall behind. We welcome the current Williams Rail Review and these proposals constitute our first contribution to that review. However, we recognise that our customers want to see improvements to fares regardless of the model for running the railway and we believe the first steps towards reforming fares can begin in parallel.

Britain's railway has been at the heart of our society and culture for nearly 200 years. It is a dynamic, vital and irreplaceable part of our economy and an essential public service underpinned by £10 billion of fares revenue a year, generated by a partnership for the public and private sectors working together.

For millions of customers and thousands of businesses it is a fundamental part of daily life, bringing people to and from work, delivering goods, and keeping people connected to friends and family.

By moving customers and freight, by investing in new trains and lines, by employing thousands of workers and training apprentices, by embracing the digital revolution, the railway is fundamental to Britain's prosperity. A new rail line or station can boost a local economy, create new communities, generate jobs, and rebrand a whole town or neighbourhood, as we saw in the Victorian railway boom, and are seeing today with projects such as Crossrail, and tomorrow with HS2.

We now have the safest major railway in Europe. There are over 4,500 more trains on the network every day than in the 1990s – an increase of almost a third – better connecting communities and people to work and leisure, while reducing carbon emissions.



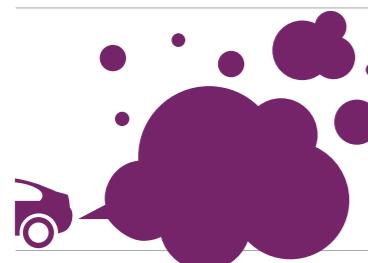
Britain's railways have made a significant improvement since the 1990's

240k

The railway employs
240,000
men and women.



Railway's running costs have gone from **£2 billion a year** in the red to **£200 million** in the black.



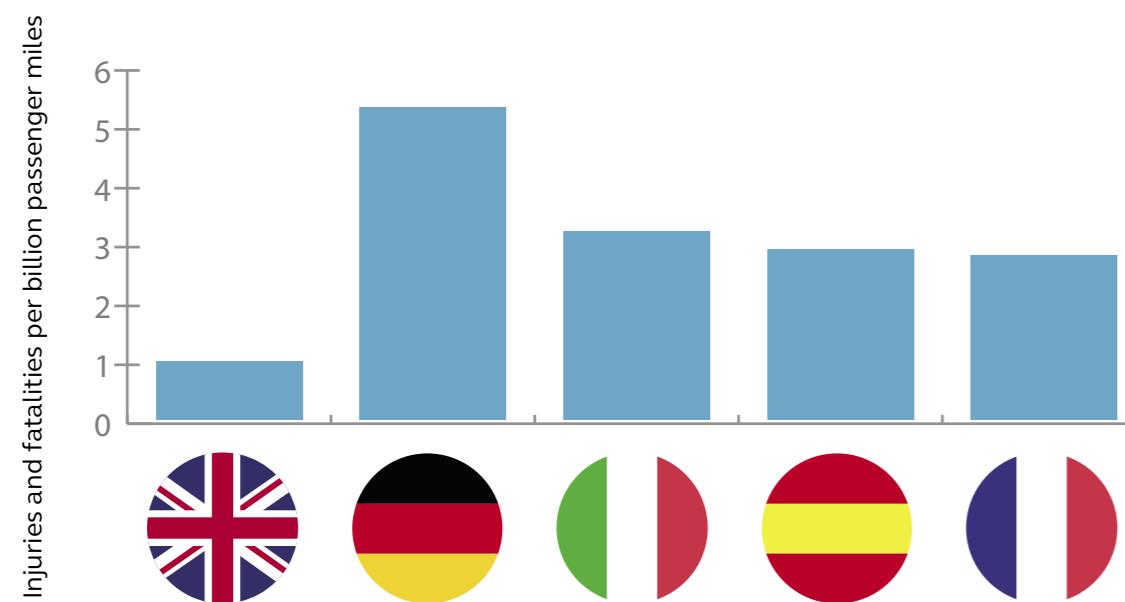
The switch to railways has reduced carbon emissions.



4,500 more trains on the network.



Our freight services are worth **£1.7 billion** to the economy each year.



We shift thousands of tonnes of freight every day, supplying Britain's businesses with the goods they need. Our freight services are worth £1.7 billion to the economy each year. The railway employs 240,000 men and women directly and through our supply chain, from the factory workers of Bombardier in Derby, to the signallers in York or Didcot, to the train drivers and station staff from Thurso to Penzance.

The nation has shared in the proceeds of this growth, with the railway's running costs going from £2 billion a year in the red to £200 million in the black, freeing up taxpayers' money to grow the network or invest in schools and hospitals. In short, Britain's railway matters, but we must not take the progress of the last two decades or our place in the nation's daily life for granted.

Britain's rail companies are proud of what our industry has achieved, but we are not satisfied. To continue to play such a vital economic role, bolder change is needed, from how the railway is structured to the range of fares people can choose from and how they are sold. Our industry's plan to change and improve, set out in our ambitious prospectus In Partnership for Britain's Prosperity, will add

a further £85 billion to the British economy in the coming years. It included a commitment to work with governments to bring forward much needed proposals to deliver the modern fares system our railway needs, which this document delivers.

While working together to improve, we have also pressed for a fundamental no-holds barred inquiry into the future of the railway and welcomed the announcement that Keith Williams, the former chief executive of British Airways, has been appointed to lead an independent review of the industry. The Williams review is ongoing and we are playing a full role in its deliberations.

The work we are undertaking is complimentary to the review but we also recognise that our customers want real change to the fares system now, and it is necessary regardless of how the industry is organised. As this document sets out, there is an opportunity for meaningful, long-term, sustainable improvements, with joint work to drive positive change beginning almost immediately, and reform deliverable across Britain.



Fares - an outdated legacy



The current fares system was designed in the 1990s and has not kept pace with the evolution of technology and how people work and travel today. Working together, train companies have made improvements where we can within the constraints of the current system, but real reform requires regulatory change.

Selling and checking tickets and ensuring that everyone pays their way is a major part of our operation. We transact £10 billion a year in ticket sales. This is no small activity. Buying tickets, and the perceived ease and fairness of the transaction go to the heart of how people judge the railway. It is central to the customer experience.

In recent years, it has been one of the biggest causes of concern to the travelling public. In many cases due to anomalies brought about by outdated regulation, there is a perception that ticket prices are illogical, unfair and confusing. We need to address these concerns head-on and it cannot be done with a cosmetic change or a quick fix. The problem is historic and systemic.

While many areas of the railway have kept pace with societal and technological change, the system of fares and ticketing has not fulfilled its potential in the digital age. The root cause lies in the regulatory framework for how tickets are sold, the Ticketing and Settlement Agreement (TSA). This is an inter-operator agreement that applies to anyone who is a signatory to it through a franchise agreement or bound to it in whole or part through an ORR passenger license. It was established in 1995 and covers the price, discounting, concessions, retailing, branding and other aspects of ticketing. These arrangements apply throughout England, Wales and Scotland but not in Northern Ireland.

The TSA, introduced in the wake of the move from state-run railway to the partnership approach we have today, exists in part to ensure retention and promotion of through ticketing (allowing travel from any point on the network to another regardless of operator) and network benefits (ensuring common terms, conditions and protection across different operators, for example Railcards giving discounts to specific groups of customers).

These are important goals. However, the TSA was based on the system of pricing, technology and processes used by the former British Rail up until the 1990s. The intention of the original design was to maintain some degree of consistency across the network as new franchises were awarded to different companies. The idea was that through-ticketing and national discount cards would be protected in a new world of different franchisees. But the good that was intended twenty years ago has not been reflected in modern realities, with changes in legislation elsewhere undermining the TSA's ability to work in practice. It serves as a classic case of unintended consequences.

The result is a ticketing system which at times creates bafflement in the minds of those who navigate it. For example, competition legislation quite rightly prevents different companies in the same sector from discussing pricing. However, the railway regulations on through-ticketing predate this legislation, assuming that train companies will discuss fares with each other to make sure they don't undermine other fares. This conflict creates anomalies and loopholes which breed distrust.



The inability of the current fares system to automatically always find the best deal is one of the main reasons why a small minority of customers feel they have to 'split ticket' - where two or more fares can undermine a through fare – in order to pay the cheapest price.

As the franchise model has evolved, new layers of complexity have been added, with few existing regulations being removed. Long-standing anomalies have been left undisturbed in the system, like geological layers of rock, each settling on top of the last. We calculate there are 55 million different train fares currently on sale on Britain's railway.

This creates real difficulties for customers, with a structure based on having to retrofit journey requirements to the fare available. Fares are created as fixed packages by train companies, within a restrictive structure and, in some cases, set of prices. The customer has to work out which of the prescribed bundles of tickets matches their needs. The result is that they trade time of travel against cost, trying to understand the different terms and conditions and, for example, buying a Peak return ticket because they cannot guarantee a certain time to make the journey back.

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The fares system is not responsive and flexible enough to adapt to business needs.

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James Ramsbotham, Chief Executive
North East England Chamber of Commerce.



Fares – an outdated legacy

While it often makes sense for customers to change their travel according to the service on offer, sometimes customers have their behaviour altered by the type of ticket – either cutting activities short in order to catch the ‘right’ train, or else wasting time watching the clock until a certain type of ticket becomes valid. Frustrated customers can be seen being held at ticket barriers, waiting for the clock to strike the magic hour. It is estimated that up to 35% of people for whom rail travel is an option are put off by the complexity of fares.

When buying a weekly or monthly Season Ticket, the customer must gaze into their crystal ball and see how many journeys they might make and at what times, which is often impossible to judge. In the current set-up, customers can be left overpaying or under using their tickets and not able to travel when they really want to.

The ticketing system does not take into account the seismic changes in our habits of shopping or seeking out information. It predates Google, Amazon and Facebook, and rests on the idea that people must always queue up in a ticket office at a railway station to buy their ticket and get information from staff or from leaflets. Ironically, many of the people queuing for tickets are on their smart phones buying goods and services, or getting information ahead of their journeys, from a range of other organisations such as lastminute.com, CityMapper or TripAdvisor. But fares regulations were developed before those phones were even invented.

People expect flexibility if their plans change, the best available price for the service they receive, easy digital access, and rewards for loyalty. These reasonable desires, available from a wide range of companies and organisations, are not reflected in the current system of tickets and fares.

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I am forced to buy non-flexible tickets and spend hours in train stations waiting for the ‘specified’ train while many other empty trains pass me by!

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Consultation respondent - business traveller, female, 45-54, London

There is also little account given to the changes in working patterns in recent years. For example, part-time working and self-employment is up by a third over the past 20 years, according to the Office of National Statistics (ONS) in April 2018. Many of the people we know do not work a traditional nine-to-five job in the same location year-in, year-out, yet our ticketing system assumes that they do, as reflected in products such as Season Tickets which are mandated in fares regulation.

We are already working to improve the buying process for tickets and should not lose sight of where things have got better. Working together with governments and passenger groups, we have:

Removed unhelpful jargon from over half a million ticket descriptions, with an aim to remove another 1.6 million instances over the next couple of years.

Made ticket machines simpler and easier to use, resulting in an 11% increase in people buying the right ticket for their journey, all backed up by a price guarantee if people do still get the wrong fare.

Made advance purchasing available up to 10 minutes before travel on many routes, instead of a cut off the night before.

Introduced standard rules to let customers change an advance ticket before their travel, if their plans have changed.

Given customers better information about what they can do with their ticket.

Introduced ‘cheapest fare finder’ on National Rail Enquiries and across train company and third-party websites to let people search for a journey by cheapest fare (excluding those anomalous fares that can be sourced through split ticketing loopholes).

Rolled out smart ticketing on routes across Britain, with many customers now able to travel with their tickets on their phone and on smart cards.

However, after 20 years, through outdated regulation - not design or intent - customers have been left with a largely unpopular kaleidoscope of ticket types and costs. The system is not only confusing for customers; as our global competitiveness becomes ever more important, it acts as a drag on our nation’s economic potential. Reform is long overdue.



Example case study - Louise, the occasional long-distance business traveller

Louise is a small business owner who travels long-distance once or twice a month to meet a client. Under today’s rules, she has to choose between a less busy, Peak-time train which gets her to her meeting in good time but costs a lot, and the first Off-Peak train, which is much cheaper but crowded and means rushing at the other end.

This situation exists because current regulation results in a sharp drop from Peak to Off-Peak prices.

With a new fares system, this drop would be smoothed out. The Peak time train would be a little cheaper and therefore a bit busier than before and the first Off-Peak train would be a bit more money but it’s a lot less crowded than it was.

For her return journey, under the current system Louise has to decide when she buys her outward ticket between a more expensive Anytime Return, allowing her to travel on any train, and a cheaper advance ticket which means pre-booking on a specific train.

Neither option really suits Louise, who doesn’t know exactly when her meeting will finish. She could end up overpaying - buying a fully flexible ticket but travelling Off-Peak, or she might book a specific train and end up waiting around if her meeting finishes early.

This happens because existing regulation results in prices that mean it doesn’t make sense for Louise to mix and match fully flexible and Off-Peak single tickets for her outward and return journey.

With our proposed changes, new ticket types would mean she’d have more options to choose a walk-up, service specific fare costing less than the fully flexible ticket. So, if her meeting runs over or she finishes early, she can just turn up and buy a ticket back for the next train with less worry about cost. And if her plans change, checking the price of a new ticket and switching will be much easier.

What did people tell us?





Working together in partnership with passenger watchdog Transport Focus, the rail industry conducted the biggest ever listening exercise into what Britain wants from its fares system, attracting nearly 20,000 responses, supplemented with feedback from over 60 organisations. While views varied, there was a unified position that the system is not fit for purpose and must be made fairer, more transparent and easier to use. These insights were used to inform five principles we believe need to underpin what a modernised fares system could deliver.

As the precursor to our proposals for reform, as part of our long-term plan In Partnership for Britain's Prosperity, we sought the views of people and organisations the length and breadth of the country. As with most public services, from schools to the NHS, the problems are most acutely felt by the people using the service, and the solutions are often contained in the common sense of the people at the sharp end. Big reforms will not be easy and the industry does not have all the answers.

With this in mind, in summer 2018, in partnership with passenger watchdog Transport Focus, the industry launched the largest ever public listening exercise on rail fares and tickets: the 'Easier Fares' consultation.

Between June and September 2018, using independent consultation company SYSTRA, we invited the whole country to participate.

In recognition of the need to balance the competing priorities of those who use the railway in different markets, we asked for respondents to express their preferences against a series of options, ranging from standardised versus personalised (for example, one price for everyone or a range of prices for different peoples' needs), flexible versus inflexible (for example, fares valid for different trains or linked to one specific service), and bundled versus unbundled (for example, return fares classified as Peak or Off-Peak fares as opposed to fares that allow out and back journeys to be mixed and matched by time of day). We also asked open questions so that people could express any other views they may hold about fares reform.

In addition we wanted to hear from a range of groups including businesses, trade unions, passenger groups, staff, campaigners and representatives from the nations and regions, so we supplemented the major national survey with a series of workshops, focus groups and one to one meetings.

After three months of intensive activity, with nearly 20,000 responses and conversations with over 60 umbrella organisations representing over 300,000 organisations, authorities and individuals, we created a picture of what Britain wants from fares and ticketing on the railway.

84%

of people say that the current system is not fit for purpose and should be reformed

In our modern, diffuse, society it is rare for the public to speak with one voice on any issue. Yet, on the need for root-and-branch reform, the view of the public and stakeholders was clear: 84% of people say that the current system is not fit for purpose and should be reformed, with fewer than one in ten (8%) considering changes unnecessary. The most frequent comments made in support of change were that there are too many fare options currently, and the need for consistency and transparency.

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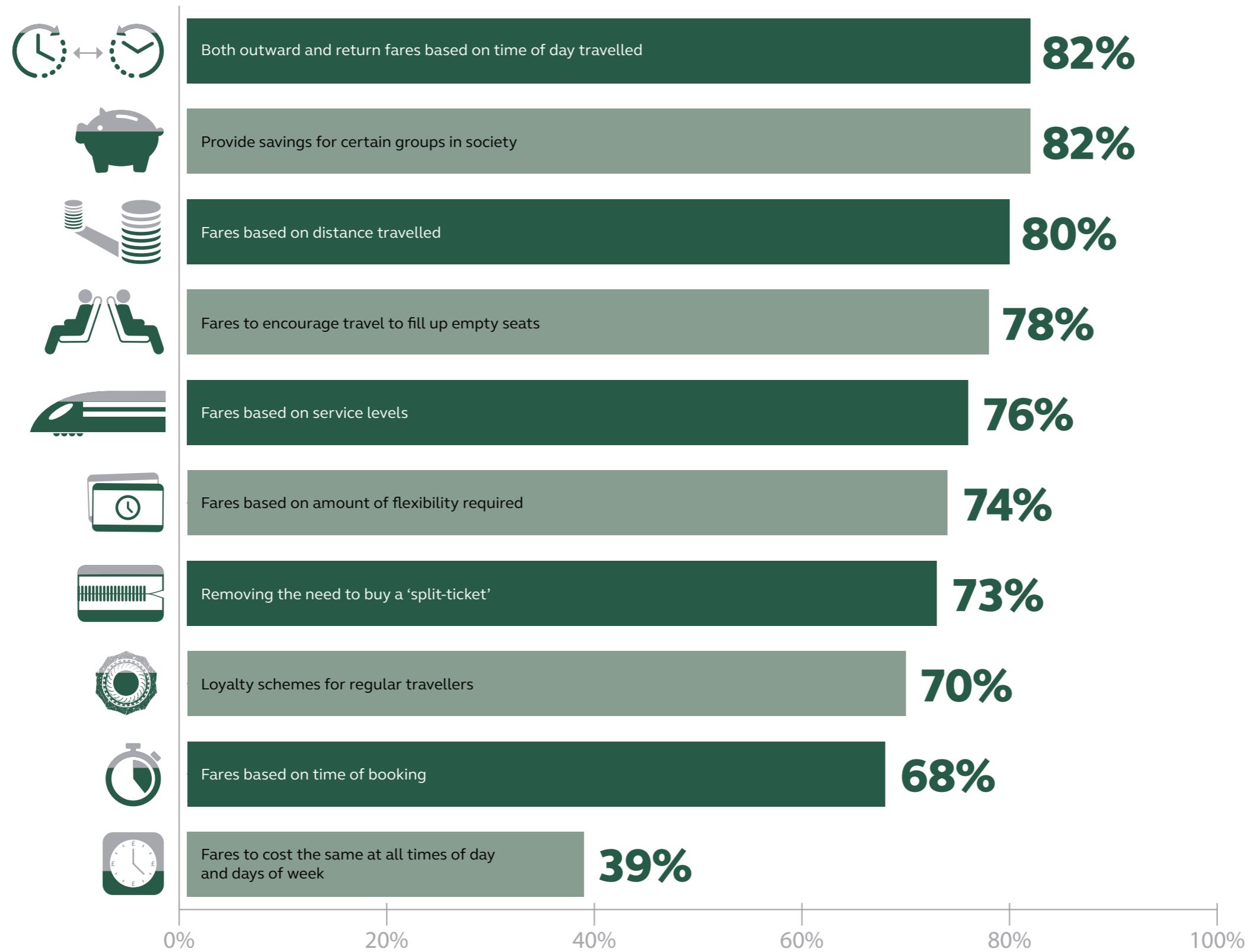
Reform of Britain's rail fare structure is long overdue.

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Vernon Everitt, MD, Customers, Communication and Technology, Transport for London



Percentage of people who believe the following scenarios should be considered in changing the structure of fares.



The consultation asked people about a number of specific topics, and how important they felt they were to reform of the fares system. On ticketing, 90% of respondents felt smart or electronic tickets, with the potential for a 'price cap' should be considered, while 88% wanted online accounts used to purchase, monitor, review and change travel arrangements for multiple types of public transport to be considered. Respondents wanted to see fares reflect a combination of distance travelled (80%), quality of service (76%), peak demand and flexibility (74%).

The graph shown opposite sets out responses to questions on the structure of fares. 82% thought the cost of a ticket should reflect what time of day someone travels and returns, with less than one in five believing that the cost should be the same at all times of the day and days of the week. Other important issues were: savings for certain groups in society, such as young people (82%) and fares which encourage the filling up of empty seats (78%).

Other issues raised in the consultation were the importance of customers only paying for what they use, and the different and distinct needs of flexible and part-time workers who use trains at different times of day, often without discernible patterns of travel. For these people, existing offers such as Season Tickets are too rigid and not seen to be value-for-money.



We also asked KPMG to conduct market research on behalf of the rail industry, with three broad groups: commuters, leisure users, and businesses. Each group, especially leisure users, wanted greater flexibility, especially as their plans changed. Commuters wanted to travel on any train during the day and to be able to get discounts for tickets bought in advance. Businesses want clearer seat bookings and advance discounts. Each group wanted faster, automatic 'Delay Repay' systems to compensate for delayed or cancelled trains.

Some of the institutional respondents we met in workshops and one to ones commented that split ticketing, lack of consistency between different rail companies in different regions and high Peak fares contributed to an overall diminishing trust in the running of the railway. Many, especially the regional stakeholders, emphasised the need for any changes to 'reflect regional nuances' and to enable multimodal travel.

Scottish and Welsh authorities were keen to ensure that any new structure enabled them to reflect devolved requirements in a

national structure, a view mirrored by the representatives of city regions.

Stakeholders stated a need to trust being offered the cheapest ticket and clear value for money; affordable flexibility; and the need to purchase tickets 'how I want, when I want', highlighting the need to better enable smart ticketing, mobile ticketing, account-based ticketing, and pay-as-you-go (PAYG) pricing. Stakeholders also stressed the need to maintain consumer protections, including discounted railcards for those with accessibility needs, ensuring the railway remains open to all.

From the consultation we drew some conclusions about the objectives of different stakeholders for our proposals for reform.

- For customers**, fares that reflect their needs and which are simple to use are valued over a one-size-fits-all approach. People want: value-for-money and flexibility; an easy to understand offer; tickets which are easy to buy; greater personalisation; protections and redress if things go wrong; a system which reflects

national and local needs; and, above all a sense of trust and confidence in the system.

- For public policy-makers at national, devolved and city region level**, the priorities are strong customer protection; greater innovation including the use of smart technology; the facilitation of multi-modal integration including zonal fare schemes; to protect the £10 billion in fares revenue which underpins a vital public service; clear, consistent and fair pricing; and, a tailored and responsive system which drives local and national economic growth.
- For the rail industry**, the priorities are long-term root-and-branch reforms, not a sticking plaster. Reforms that focus on the customer while delivering for the economy, sustainability of finances, and a process of change led by the industry with the support of governments and devolved authorities.

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Contactless pay-as-you-go, including capped fares, would provide convenience, simplicity and flexibility for customers. Contactless pay-as-you-go can also allow customers to travel seamlessly between transport modes

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Stephen Rhodes, Customer Director, Transport for Greater Manchester

There was general agreement that customers need to be at the heart of any changes and that new systems need to deliver products that they want, need, understand and value. The benefits of improvements in technology should be realised to encourage greater personalisation of fares, greater innovation of product design and in retailing, and in greater integration across transport modes.

These insights form the core starting position for considering 'easier fares'.

Five principles for reform

Using what we have learned, we developed five principles that underpin our proposed approach to fares reform. An up-to-date, fit-for-purpose system must deliver:

Value for money

reflecting the feedback that fares should make rational sense and that people want greater transparency over what they pay for and what they get.

Fair pricing

reflecting customers desire not to have to find 'work arounds' or 'loopholes' to get the best price and for a guarantee that they are not overcharged.

Simplicity

making buying simple while retaining customers' choice. Reform is not about taking choice away, it is about innovating to make it easy to find the right fare.

Flexibility

reflecting customers desire to see different needs accommodated; they want the ability to tailor fares and deals to what they need.

Assurance

reflecting the feedback that customers want clear, effective, transparent regulation to protect their rights.

These principles need to be balanced with:

- the need for fares to generate revenue for government, industry and devolved authorities to enable investment and growth.
- linked to the above, the need for operators to be able to manage prices to respond to their markets and reduce crowding.
- the need for local and regional authorities to be able to manage transport as part of integrated transport systems.

We believe that there is a solution capable of ending years of confusion, which is sustainable, deliverable, and popular with the public, government and devolved authorities, and industry, while unlocking more for the economy.



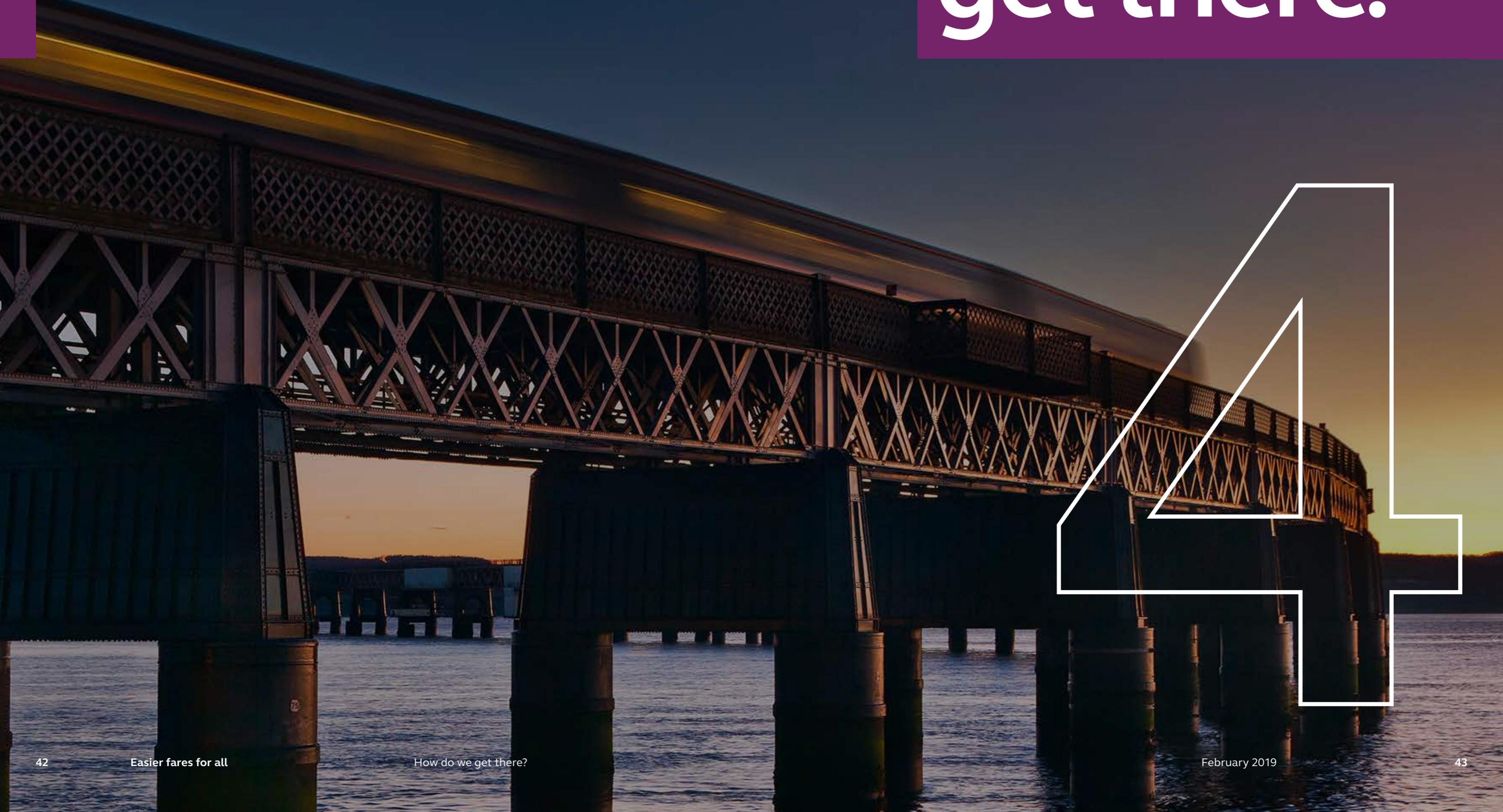
Example case study - Harry, the ticket office worker

Under the current system, Harry has to deal with customers who are frustrated because they've waited in line to buy a ticket from a range of fares they struggle to understand and do not trust. Harry wants to spend more time speaking to his customers to ensure they buy the best priced fare that meets their needs, but the long queue makes it difficult.

With a reformed system, more people with straightforward journey requirements would buy their ticket online or via their smart phone or rely on pay-as-you-go. This would give Harry more time to spend with customers making more complicated journeys or who want help and advice.

He has easy access to the best fares through the new system and can make sure that everyone gets the right ticket, knowing that he is able to offer the best price for their needs. He can do this because the new fares system is more logical and easier to use than today's, giving him confidence that he's always giving customers the best available deals to meet their needs.

How do we get there?



Based on the consultation, we have come up with a simple proposition: that customers should only pay for the travel they need and the system is designed to give them the best value fare.

To deliver this, we are proposing a two-stage approach to regulatory reform. First, government, industry and other stakeholders working together to replace the outdated Ticketing and Settlement Agreement (TSA) with a new set of regulations that underpin the fares system and ensure effective, national joined up rail fares. Secondly, this would allow fares (including regulated prices) to be addressed in individual contracts. These changes would enable the single fare to become the core building block of pricing, allowing for a better configuration of products to match people's needs and removing many of the inconsistencies experienced today.

For commuter markets, a reformed structure could de-couple regulated price rises from what is currently a very limited range of defined specific products (for example Season Tickets) introducing a capped system across a range of fares used by commuters instead. For long-distance markets, moving away from the regulated Off-Peak fare and replacing it with an alternative mechanism that could enable the rebalancing of fares across the day would reduce overcrowding on the busiest services.

Having set out the principles for what a new fares system should deliver, we are proposing a phased approach for reform:

Stage One: Industry and government work together to reform the way that fares are worked out. This means government replacing the outdated Ticketing and Settlement Agreement (TSA) with a new set of regulations that underpin the overall fares system. The new fares regulations must protect existing customer benefits, for example the ability to buy a ticket between any station on the network and any other, or railcard discounts being valid across all operators on the network. However, the new regulations must also enable the best use of twenty-first century technology in a way that the current TSA does not.

Stage Two: With these new system regulations in place commercial changes will then need

to be agreed with operators, reflected in new pricing regulations written into their government contracts. This can ensure the right products are developed for the right markets incrementally, with new pricing structures better able to reflect what people want to see from fares including fairness, flexibility and a pay for what you need approach - allowing operators to adapt to changing customer behaviours and offering products better tailored to their exact needs.

These changes would enable:

The 'unbundling' of fares through a move to a single fare as the basic unit of all pricing in the new system, with algorithmic rules underpinned by regulation to allow and encourage the best combinations for return, through and multi-journey tickets. This is similar to the way fares are currently structured within London, which has its own rules distinct from the rest of the network.

Train companies will be able to create discounted, premium, train specific and personalised variations of these fares, for example, charging less at quieter periods, more for first class, less for reduced flexibility, and so on. This ensures that fares are priced appropriately to market and are not simply the sum of their parts.

Protection from excessive fares through regulation of price levels rather than of a limited number of specific fares types that may not reflect customers' needs. For example, moving from regulating the day return and 7-day Season Ticket for commuters, to regulating the maximum price paid when travelling over the course of a week - with systems programmed to deliver this automatically.

The changes above would need to be augmented by trials of new fares and types of ticket retailing to further develop commercial modelling and give customers more opportunity for engagement with the proposed changes.

A new system process

By managing the new rules through a single system process, we can address one of the other drawbacks of the current complex regulatory structure – where requirements in different sets of rules (the TSA, the National Rail Conditions of Travel, or those attached to a specific type of national fare), conflict with one another. This leaves the rules open to interpretation, causing confusion for customers and railway staff.

The current regulation requires operators to accept fares set by other operators without any process of agreement. Originally this was subject to a degree of consultation but this ceased in 1998 and, since then, there has been no mechanism to jointly agree the terms or price of such fares. This is a major source of anomalies and conflicts in the fares structure. Working with government, we want reform to include moving the industry to an agreed joint contractual or commercial process compatible with competition law and regulatory oversight for setting fares valid on the services of more than one operator.

Current fares system

Fares set by operator for entire journey with Terms and Conditions subject to overall regulatory structure and individual fare regulation (which can conflict).

The new system process would incorporate terms and conditions as well as regulatory requirements. In many cases they will need to replace and update existing rules that although well-meaning, have resulted in outputs that are unhelpful. A good example concerns how fares are presented, where ticket machines sometimes display a page of fares for a simple journey request because the rules focus on displaying all fares rather than how to ensure the most relevant results are shown. This means customers may not select the correct fare or be unsure they have paid the right price.

We want to work with government and devolved authorities to review current regulations and where necessary, update them to reflect their intended purpose. By devising a process that reviews and then takes into account all of the rules, we can remove conflicts and the associated confusion.

The reforms would also ensure that as new parts of the network such as HS2 come on stream they can be integrated seamlessly into without imposing legacy obligations inappropriate for their requirements.

Retailers offer these fares. Customers and systems have to try and assess which ones might suit them best.

Reformed fares system

Fares set by operators in accordance with market needs, discount entitlements and fare regulation.

System process contains rules for joining up and comparing fares (including discount entitlements).

Customers get to see choices relevant to them, already screened to make sure more expensive options for doing the same thing don't appear.



These changes would also enable local political leaders across the country to have more control over their local and regional transport systems where the decision has been taken (or is taken in the future) to devolve the relevant powers and responsibility. These reforms would increase their ability to co-ordinate train fares alongside other local transport in and around their cities. This is currently difficult even where those powers are already devolved, because rail-only fares are set under different national rules to local travel schemes.

Additionally, with our proposed reforms, a new system based on a single leg structure would allow the pricing of local fares to be disaggregated from the national fares structure of which they are a part. This could enable local decisions about pricing to be applied. For example it could allow low-wage employees in a city to be given cheaper travel if the devolved authority decided to prioritise and fund such a policy. Or, at a macro level, devolved authorities could be allowed to change the balance of funding between local taxpayer and local fare payer or choose when, how and if regulated fares should rise in their locality. Where devolution of transport control has taken place the result would be a fares system which better supports local economies.

More local control of fares

The current system is designed to allow travel from any point on the network (through ticketing) to another regardless of operator, but this is based on the technology of the 1990s which didn't allow individual fares across operators to be combined in real time. With a reformed system, where the decision has been taken (or is taken in the future) to devolve the relevant powers and responsibility, this through ticketing benefit would actually be enhanced as with a single-leg system it would be possible to use modern computing power to automatically combine fares to work out the best fare options for journeys. It would also enable local political leaders to have more ability to co-ordinate train fares alongside other local transport around their cities.

Crucially, the single leg pricing structure also means that where local and regional authorities have been given devolutionary powers, they can have much more freedom to specify and set fare structures that meet local needs, while still ensuring that these fares can be linked to other journeys across the national network.

Updating regulation

The structure of rail fares is not always efficient. Poor differentiation of fares between services on both short and long-distance journeys, coupled with poorly bundled products and the current regulated relationship between Peak/Off-Peak periods limits choice for customers and discourages them from travelling when they want to, including at quieter times.

Our proposals have the potential to greatly simplify the choice for customers, reducing anomalies and removing oddly-priced differentials between single and return fares - but changes in price regulation are needed to achieve this.

There are currently two main types of price regulation: that which applies on commuter routes, which in nearly all cases is based around Season Tickets and Anytime Day Returns; and regulation for longer distance leisure routes, based around Off-Peak (formerly Saver) Return tickets. In all cases, specific fare types - e.g. in the commuter market, 7-day Season Tickets and Anytime Day Returns - are regulated, rather than the prices themselves. This regulation forms part of the contracts between government and operators.

We consider that this regulation needs to be updated to better reflect the objectives of taxpayers and customers and to enable the benefits of technology, developed since the rules were written, to be fully realised. In particular, we consider that tying regulation to specific fare types, rather than focusing on price levels for types of journey, has held back the development of fares structures that evolve with customers' needs, while exacerbating over-crowding.

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You should be able to go one direction in Peak time and the other Off-Peak and not have to pay a full Peak return fare.

99

Consultation respondent - Business traveller, West Midlands

Commuter fare regulation

Currently, increases to Season Tickets and Anytime return fares on commuter routes are capped at the Retail Price Index (RPI). The July RPI figure is used by government to direct the price increase to regulated commuter fares and is applied the following January.

This means that all regulated fares are raised by the same amount, at the same time across the network. This blunt approach does not allow adjustments to fares structures to reflect the changing needs of customers. For example, it is not possible to limit increases to daily commuting fares relative to Season Tickets to, over time, give a better deal to part-time workers.

We propose that under a new fares structure, the current price of a 7-day Season Ticket could instead be used to set a 'cap' or maximum payable price for travel on a specific journey or geographical area across a week, regardless of ticket used. This would allow customers to buy the right tickets for their needs while knowing the maximum amount that travel would cost them in any one week. Technology could allow different 'caps' to be set for different circumstances - for example a lower level cap where journeys are made Off-Peak; or for concessionary travel where funded by a local authority.

The current structure of regulating only Peak time fares has held back the development of part-time and flexi Season Tickets and pay-as-you-go schemes, and our proposed approach would address these shortcomings. By allowing regulation to reflect the different prices that might be paid across the day, customers could benefit from overall protection of fare levels, while ensuring that operators are incentivised to innovate and develop new products which better suit their needs. Under the changes proposed, tiered pricing structures (similar to the current Anytime, Off-Peak and Super Off-

Peak) would likely be kept in commuter markets to accommodate 'hop-on-hop-off' multi-modal travel in urban areas, although in most cases this would delivered seamlessly through smart ticketing schemes.

Commuter fare levels are an important factor in the functioning of local economies and we consider that the detail of such regulation should be developed in tandem with the consultation and specification process for the relevant contracts.

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It would be great to have a smart ticket that calculates the best value fare depending on journey use, that is then charged at the end of the journey.

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Consultation respondent - Commuter, Male, 19-25, South East

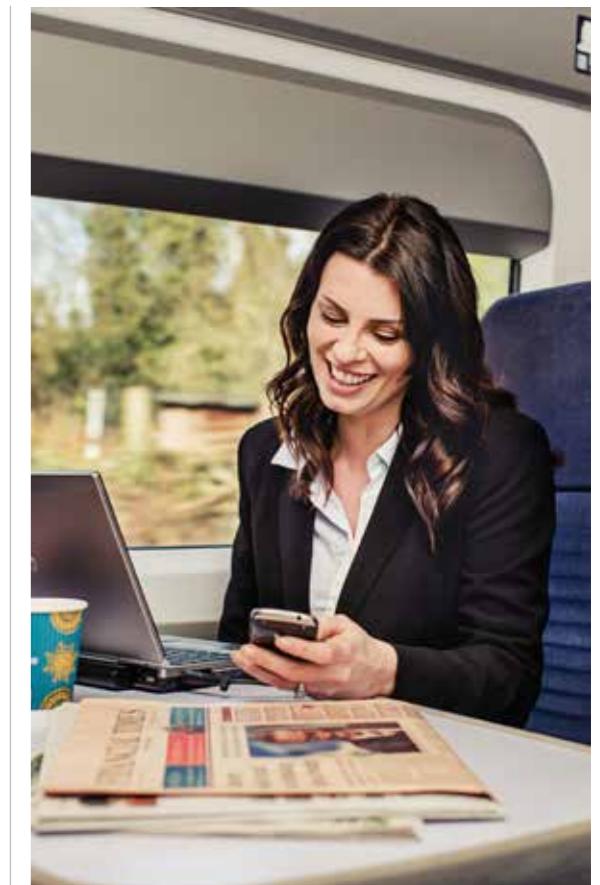
Example case study - Patricia, the Peak time commuter

Patricia is a 5-day a week commuter. She likes going to the gym most days and some evenings she meets up with friends. She works in town and starts at 09.00 every morning, usually leaving at 17.00 to go to the gym near home.

Patricia's current routine means that most days she travels at the busiest times of day – it's best value to buy a Season Ticket, which means that she can, so why not?

With a reformed system, Patricia will still be able to choose from the same weekly, monthly or annual Season Tickets as now. But if she opts for a smartcard, while most weeks she'll still pay the Season Ticket cap, on some other weeks she has the chance to save money, should she decide to travel Off-Peak or has time off for holiday. For example, by using the gym near her office she could travel home later and pay less.

The great thing is she wouldn't have to try and work out whether daily tickets or a weekly ticket is cheaper - the smartcard does the work because the pay-as-you-go cap will calculate the cheapest combination of tickets Patricia could have bought across a week and ensure that she'll never pay more than she would for that weekly ticket she buys today.



Long distance regulation

In long distance markets, there is in most cases a regulated Off-Peak (formerly Saver) Return fare. The regulation of these fares at very specific time bands of travel, has held some fares at an artificially low level below that which the market can sustain, while increasing fares at other times to compensate. The effect is often underutilised, more expensive services at natural Peak times (this varies between operators, but generally falls before 0900 and between 1630 and 1930), and typically overcrowded, cheaper services during the 'shoulder Peak' (immediately before and after the above times).

The current regulation in these markets works against the interests of customers by distorting the ability to offer competitive prices at the times people most want to travel and restricting the ability to manage demand to reduce overcrowding. We consider that external market forces exert a powerful incentive in this market and this is supported by analysis from KPMG indicating that current long-distance regulation could be hampering the ability to ensure that a range of good prices are offered throughout the day.

We are however aware of the need for assurance around continuing regulation to protect affordable access to the network and in particular about protecting access to the walk-up railway.

For this reason, we are proposing that for contracted or franchised long-distance services, there could be some regulation of the overall level of revenue that can be raised, while allowing appropriate demand management on individual services, so fares can be adjusted to make journeys more comfortable.

This approach, unlike the current one, would enable appropriate protection where this is necessary, while unlocking innovation of fare types and structures which would be of wider benefit to customers, for example greater use of service-specific fares throughout the day. These fares would be available to purchase both in advance as well as up to the point of departure, with analysis indicating that reform would enable up to 80% of off-peak trains to have lower walk-up fares than currently available – supporting customers' need to be able to 'walk-up and go'. This price point could be used to replace the current regulated Off-Peak products to prevent market distortions.

Combined with fares levels that better reflect value by reducing 'price cliffs' between Peak and Off-Peak periods and allowing customers to better match actual departure times to preferred departure times, overcrowding could be reduced by up to a third on some of the busiest services, while making better use of existing capacity.

Figure one shows how demand artificially 'Peaks' on a long-distance route at the point when the regulated Off-Peak (formerly Saver) fare becomes available.

Figure two shows how demand would be smoothed over the day, with a reformed system.

KMPG modeling showing smoothed demand on long distance travel could reduce overcrowding by up to a third on some services

Example long distance intercity route before and after fares reform, based on the average fare as a mix of standard anytime, off-peak, advance and season tickets, with the proportionate mix of customers buying each type.

Figure one: Under the current system

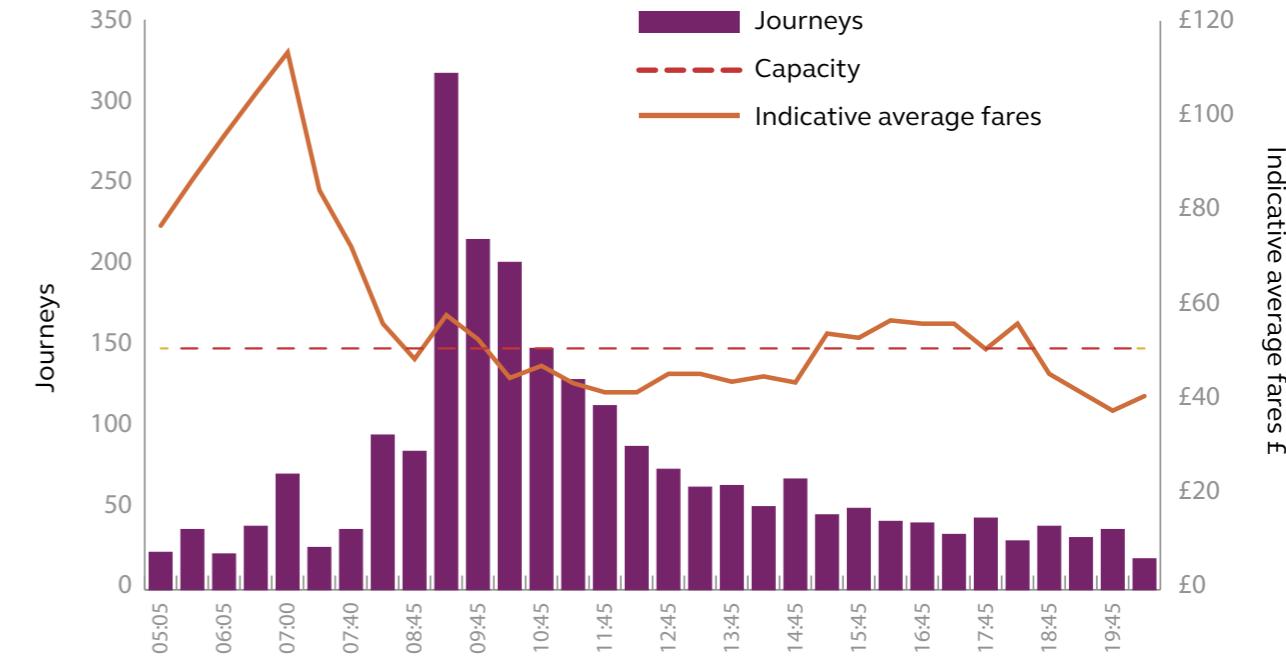
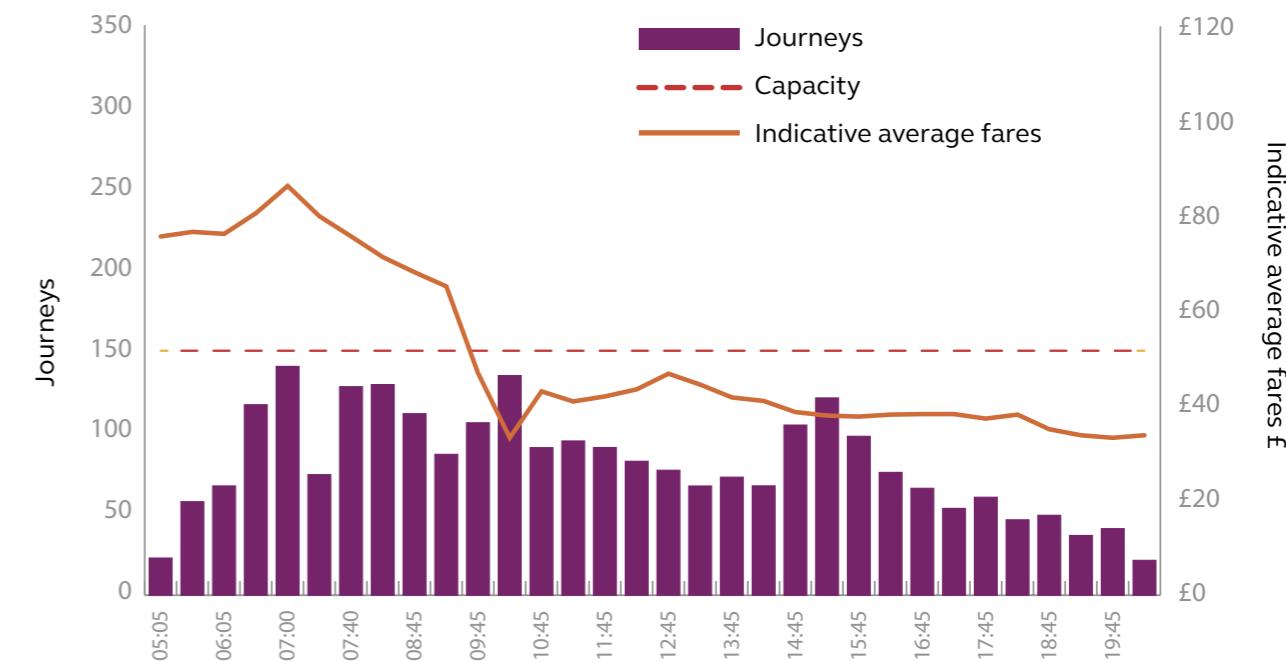


Figure two: With a reformed system



Rebalancing fares: options for governments

Our proposals centre on the principle that customers should only pay for the travel they need and the system is designed to give them the best value fare. Alongside the introduction of single-leg pricing and with 'pay-as-you go' available for many journeys, changes in regulation provide the means to rebalance fares to better reflect the experience of customers.

If the overall average fare is to remain unchanged, any reduction in fares in one area is likely to require an increase in fares elsewhere. Initial analysis by KPMG, reflecting this revenue neutrality assumption, suggests that:

- In long-distance markets, some travelling in the core of the Peak and the core of the Off-Peak could see their fares go down, while those in the shoulder Peak might see marginal average fare increases. The overall aim though is to enable customers to travel at a time that suits them with more even pricing.
- In commuter markets, customers with more variable demand as well as those able to mix-and-match Peak and Off-Peak tickets could see fare reductions, with those continuing to travel in Peak periods seeing no change.

These adjustments mean commuter markets may also, in some cases, see marginal fare rises for those travelling Off-Peak, although the implementation of price caps at the 7-day Season Ticket price would provide additional protection. However, analysis indicates that the benefits to customers of changes in the long-distance market could result in growth in demand by up to 6.5% as well as reducing crowding by spreading demand more evenly

across capacity. This would in turn give governments options to use the increased revenue generated from the additional demand to off-set any rises in the commuter market, reinvest in lower fares in long-distance markets, or re-invest in to the network.

Across the network, fares reform could incentivise over 300 million journeys on services with capacity for growth over a ten-year period, in addition to the 1.7 billion journeys which currently take place on the network.

It will of course take time for the generative effects of price changes to work through and predicted customer behaviours would need to be validated through early experiences of implementation. For this reason, a funding process will need to be identified to manage the transition.

Catalysing the North

There are a number of shorter distance inter-city markets linking the northern powerhouse cities that would benefit from fares reform. Under the current system, legacy rules treat these as 'regional fares' that don't necessarily distinguish between the different uses of these services, for example, commuting from home to work, or business journeys between city centres. A reformed system would be more capable of reflecting diverse needs, creating fares structures that could improve access to the network across all sections of the community.

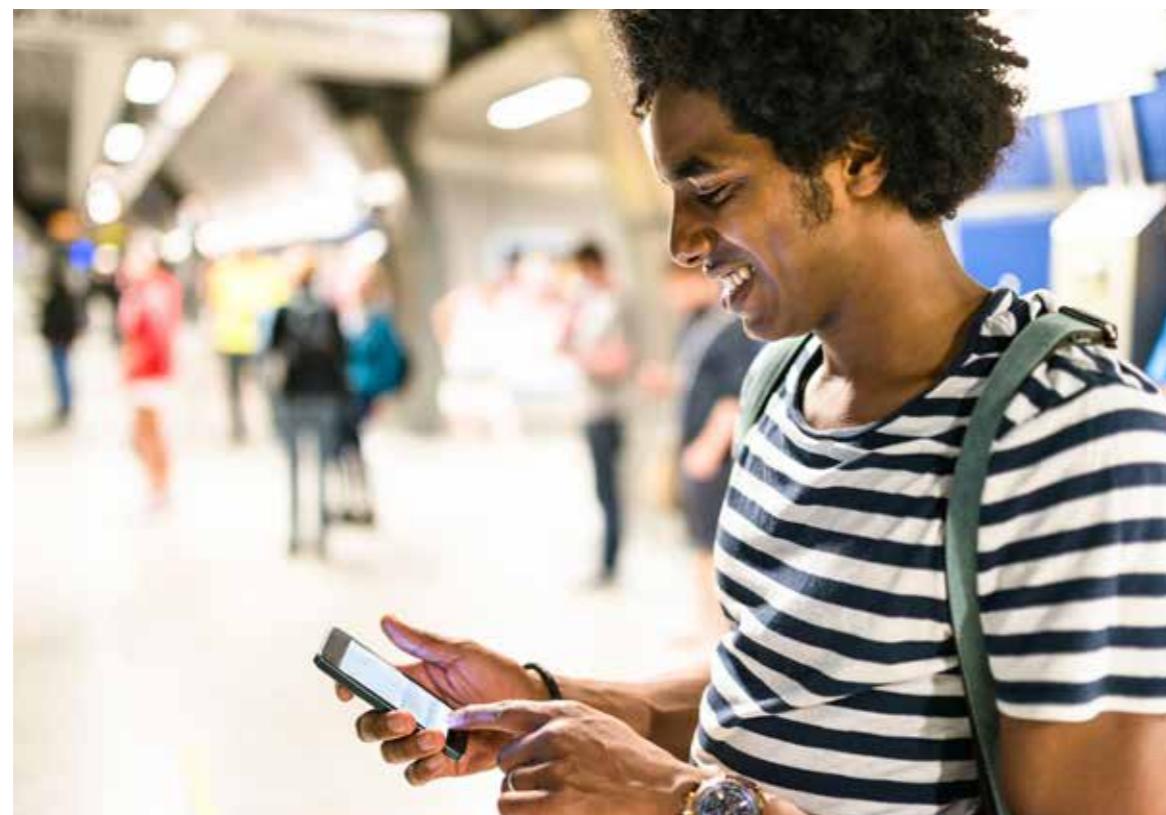


Example case study - Steve, the part-time worker

Steve commutes four days a week to the office but has a young daughter to pick up from the after-school club which means he leaves work before 17.00. At the moment, he travels in at Peak time and finds it best value to buy a paper weekly Season Ticket which means he's paying the same as a 5-day a week commuter. He's also paying to travel back at Peak time when in reality that's not the case.

The current regulation controls Peak time fares but doesn't allow them to be bundled with Off-Peak fares. With a reformed system, the train company would be able to include Off-Peak tickets in a 7-day price cap.

Steve could still use a weekly paper Season Ticket if he wanted to but he'd also have the option of a smartcard or contactless account which means he'd never pay more than the price of the weekly season ticket but, working four days a week and returning at a quieter time means he could pay less than he does today.



Subheading or section title



Example case study - Hannah, the weekend leisure traveller

Hannah lives in London and likes to go home about once a month to visit her family in the north of England. Existing regulations hold down the price of Off-Peak tickets at set times but mean that at other times the price can be very high if she can't book in advance on a specific train. She can't be sure of which train she is going to get so can't save money with an Advance fare. Under the current system, that means she has to travel when the Off-Peak return ticket is valid because it's so much cheaper than the Anytime ticket.

Today, Hannah has to wait around for a couple of hours after work on Friday for the first Off-Peak train. This train will be full, even though the train before had empty seats and Hannah will arrive home when everyone's gone to bed. On Sunday, when she returns, she can catch any train she likes but she knows that if she waits until the middle of the afternoon, she might not get a seat.

With a new system, train companies would be able to smooth out these cliff-edges between Peak and Off-Peak prices, giving Hannah more choice. She could travel on the earlier train on Friday and only pay a bit more than she does today – but not as much as the existing Anytime fare. This would mean she could get home in time for a late dinner with mum and dad, making more of the weekend.

Alternatively, she can travel at the same time as now, which might cost her more than currently but she would get a seat instead of potentially having to stand up for two hours. Or she could travel later on Friday evening and pay the same or even less than she does today, depending on how late she goes. There would be more choice like this even if she waits until the day she's travelling to buy her ticket.

On Sunday when she's coming back, Hannah would again have more choice. She can book on to a specific train a couple of weeks out and pay less than she does today. Or she could go on to her phone on Sunday morning and choose a train at a time and price that suits her, knowing which trains are likely to have available seats.

Because all fares are offered as mix-and-match singles, she would never have to worry whether a return or two single tickets are cheaper – she would just get the best deal for each journey she needs to make.

What could a new fares structure enable for customers?



A fully reformed fares system could unlock huge benefits, better meeting the needs of today's travellers and offering a quicker more intuitive buying process, with a 'best fare guarantee'. It would revolutionise the opportunities offered by technology and from the innovation brought by third party retailers. And a reformed fares system would support the aspirations of devolved authorities to build rail fares into truly integrated local transport systems.

For customers, the advantages of our proposition include:

	A simplified buying process - so people could buy from an easy to understand range of tickets online and on smart devices, or use pay-as-you-go, where payment is made automatically, giving them the same (or an even easier) buying experience as they have when paying for cinema tickets, groceries or hotel rooms. This would be supported by a retailing process that screens out irrelevant choices and which incorporates discounts, including railcards and fare caps, automatically.
	Tickets that better reflect modern ways of working - existing old-style Season Tickets assume that commuters make the same journey at the same time five days a week. For many people, this regimented style of work is being replaced with flexible hours, days working from home, and visits to other sites, which means they're not getting the full value of their Season Ticket. New types of ticketing for frequent, but flexible, travellers could encourage them to journey Off-Peak by giving them alternatives to paying up front for unlimited travel, with no opportunity to save money by travelling at quieter times.
	Customers having control over the journeys that they pay for - no more guessing whether to buy a return or two singles; customers would be able to mix and match their requirements from basic single fares and get the best price. With digital ticketing, in many cases they could just travel and let the system work out the best fare for them. This addresses head-on the question of fairness and the principle of customers only paying for what they need.
	Easy change of plans - if customers want to change their choice, they could see immediately what their options are, how much it would cost, and they could make the change straightaway.
	Hassle-free refunds - if a ticket is refundable and customer was entitled to their money back, they could sort it easily and quickly. This includes the possibility of automating Delay Repay payments where this is specified in contracts.
	Good deals for everyone's travel needs - not only those able to lock down and stick to their travel plans weeks in advance. Most people live busy lives and need a degree of flexibility. Our changes would enable a better range of cheaper fares to become available, including enhanced availability of affordable on the day walk-up fares.

	Being able to trust their ticket – wherever a ticket is bought, online, at a machine, or in person at the ticket office, the system would incorporate discounts, including railcards, and maximum fare caps into the new rules, so the customer could know they have the right ticket for their exact journey, at the best available price, every time.
	No need to 'split tickets' – our proposals would mean that split-ticketing would no longer be necessary, because people would automatically be offered the best combination of tickets for their journey therefore paying the lowest price for their needs. In order to instil trust in the fares system and make ticket buying easier and more transparent for everyone this would mean that, alongside reform of fares, the loopholes that today allow 'extreme split-ticketing' would be closed. This is above and beyond the type of split-ticketing offered through existing websites and is where people with a very intricate knowledge of prices and routes use the outdated system to their advantage. We estimate that such activity accounts for a fraction of one per cent of all ticket sales and judge that the positive effect of a more logical, trustworthy and easy-to-use fares system outweighs the loss to this tiny minority.

Where reform is fully implemented, and fares modernised the rail industry could stand behind this with a **Best Fare Guarantee**, ensuring that customers pay the cheapest fare that meets their requirements available at the time and place where they buy their ticket, without needing to wonder whether there is a better option.

66

The system needs to be more transparent to avoid split-ticketing.
The current system disadvantages those who don't know how to interrogate the system to find the best deal.

99

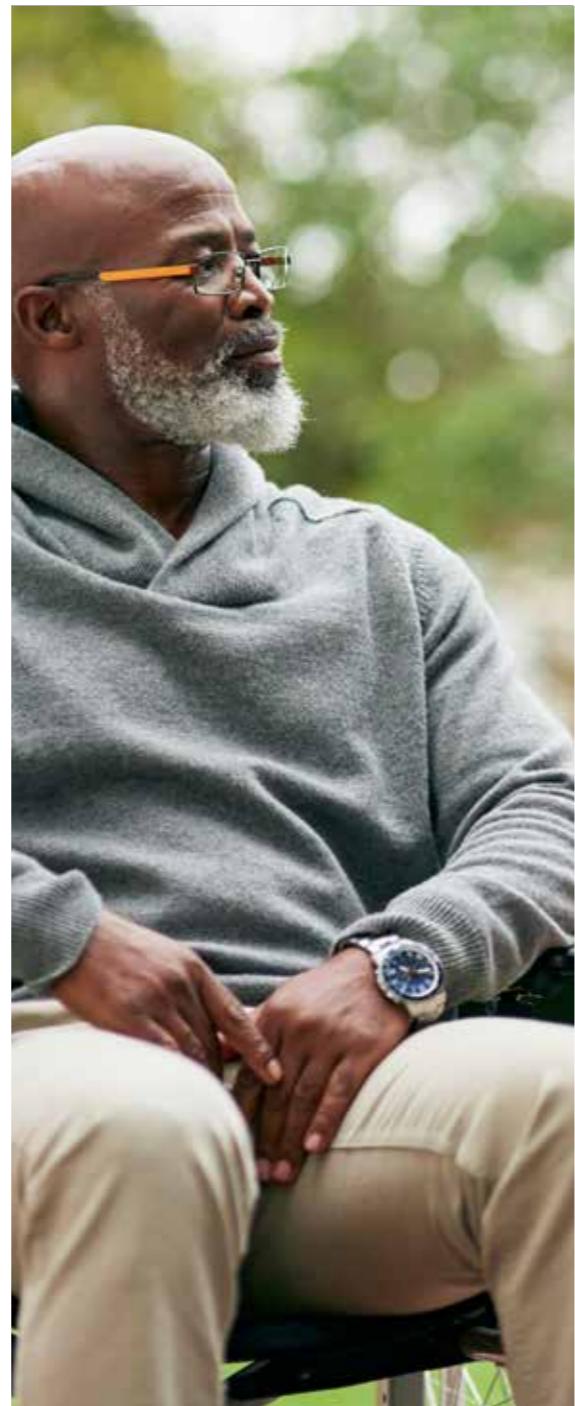
Consultation respondent - Leisure traveller, male, 45-54, East of England

Example case study- Malcolm, who needs extra help to make his journey

Malcolm has mobility issues that mean he can't use stairs easily. He travels every week from his nearest station to town but on the way back it's easier to use another station near his home so that he doesn't have to use the footbridge.

Currently, he has to buy a ticket from the machine and the fares system doesn't allow these two journeys to be discounted as a return fare. However, with a reformed system he could use his smart phone to buy tickets with an account that recognises his accessibility needs and adjusts the price so that he pays no more than the normal return fare, even though he's coming back to a different station.

Reforming fares so that all journeys are calculated from single journeys makes it much easier to tailor fares to people's exact requirements. It can also allow them to be integrated into specific travel needs such as trains and stations with step free access.





The new fares structure would also enable:

- **Ticketing which supports Mobility as a Service (MaaS), allowing seamless journeys across different modes of transport.** A new fares structure would enhance the capability to pay for multi modal journeys, meaning that in the future, customers could book a journey on their smart phones and with a single payment move between trains to taxis, buses or any combination that suits them.
- **Unlocking the full potential of new ticketing technology.** Current innovations such as paying through smart cards and contactless, and the on-going roll-out of tickets on your smart phone, while a good step forward, are being made to work with an out of date and unsuitable system. Reform will unlock the maximum benefit of those new systems for customers to make ticket buying hassle-free.
- **Opportunities for more third-party retailers to innovate and disrupt the market, using open data to sell fares to customers in different ways from different outlets and platforms.** At the moment, the barriers to entry and costs associated with rail retailing are too high to truly liberate the market, due to inflexible and out of date regulations which prescribe how rail products must be sold. Reform will encourage much greater market participation, promoting better competition and choice for customers.

- **More opportunities for regional and local representatives to make choices.** Today, the complexity of regulations makes changing fares to reflect local needs and differences extremely difficult. Our solution wouldn't remove the need for national or regional governments to make decisions around the rebalancing of fares for different groups, but the move to a single-leg structure would make those choices easier to implement where the decision has been taken to devolve responsibility, now or in the future. This reflects a key desire from Scotland, Wales, London and other city regions.

We believe these reforms would create a new bond of trust between customer and industry, build confidence in the system, embed fairness and equity, and encourage more people to use the network more evenly across the day, improving passenger experience. By encouraging more rail travel, the changes would generate additional income without raising the overall fares level. Governments would then have the choice to pass that onto taxpayers, back to customers through lower fares, or use it to invest in the future railway.



Mobile is the future. Tickets should be stored in Apple/Google Wallet with NFC or QR codes used to provide the ticket details. Railcards could be added to my digital account too.



Consultation respondent - Leisure traveller, male, 35-44, London

The following table illustrates how the proposals put forward, line up with what people told us they wanted during the course of the consultation

Propositions consulted on	YOU SAID...		Stakeholder engagement	... OUR PROPOSALS	... Our Principles						
	Public consultation				Value for money	Fair pricing	Simplicity	Flexibility	Assurance		
	Proportion of survey respondents that wanted this considered										
Encouraging travel to fill up empty seats - fares that vary to attract people to emptier trains on services.	78% of people wanted consideration (definitely or maybe) of fares that encouraged empty seats to be filled.	Stakeholders expressed a desire for fares to match customer needs, including greater levels of personalisation. They saw a need to attract people to rail.		Our proposals allow people to pay fares based on the trains they actually use, with the ability to mix and match peak and off-peak fares. On long distance and regional journeys, prices better reflect demand throughout the day, helping to fill empty seats.	✓	✓		✓			
Developing commuter products to include price caps, Off Peak Season Tickets and 'carnet' (multi-journey) tickets for regular travellers.	90% of people wanted consideration (definitely or maybe) of price capping.	Stakeholders wanted rail to deliver products that are customer focussed, to create consumer confidence and trust.		Our proposals allow for price capped Season Tickets, so that people pay for what they use.	✓	✓	✓	✓	✓		
Offering special fares/ discounts for selected groups e.g. young people, families, senior citizens, disabled people etc (as currently happens with Railcards).	82% of people wanted consideration (definitely or maybe) of savings for certain groups in society.	Revenue neutrality should be maintained and fares should be affordable. Stakeholders agreed on the need to prioritise certain social groups.		Our proposals allow for targeted discounts, including protected groups who currently have railcards.		✓			✓		
Simplifying fares by removing different prices across the day	61% of people said that fares where the cost is the same at all times should not be considered.	Same fares at all times is easier to understand, but fares should also reflect needs.		Our proposals are focused on making fares easy to choose and buy for the person's needs, rather than taking away choice by removing different prices across the day.			✓		✓		
Creating fares out of the best prices for the parts of the journey being made.	73% of people wanted consideration for fares designed so that it is unnecessary to buy a split ticket.	Stakeholders felt strongly that customers should only pay for journeys they actually make and that split-ticketing should be addressed.		Our proposals are based on a single-leg journey as the basic unit for the fares system. This will allow through tickets to be made from composite leg journeys with the best prices for different parts of the journey.	✓	✓	✓	✓			
A fares range that recognises that not everyone can predict in advance when they will need to travel.	74% of people wanted consideration (definitely or maybe) of fares based on the amount of flexibility required.	Stakeholders said it was important that flexibility remains affordable and that customers can continue to ensure people can walk up to a station and go, at least on short and medium distance journeys.		Our proposals mean that while people are happy for cheaper book-in-advance tickets to be available, it should still be possible to buy tickets on the day to travel immediately				✓	✓		

Propositions consulted on	YOU SAID...			... OUR PROPOSALS	... Our Principles						
	Public consultation				Value for money	Fair pricing	Simplicity	Flexibility	Assurance		
	Proportion of survey respondents that wanted this considered	Stakeholder engagement									
Integration of fares with other modes of transport so that people can complete their journeys by bus or tram.	88% of people wanted consideration (definitely or maybe) of online accounts which can be used for rail and other types of public transport.	Stakeholders believed that the system should facilitate journeys with other transport modes and drive innovation.		Our proposals allow for fares that can be included with other modes of transport. They would enable civic leaders to have more control to integrate local transport systems, including pricing	✓			✓			
A fares structure that takes into account quality of service (frequency etc) as opposed to fares calculated on distance alone.	80% of people wanted consideration of distance but 76% also want consideration of the level of service provided.	People need to be able to have confidence and trust in the system although it is understood that the fares system as a whole must still generate comparable revenues.		Our proposals allow for consistency of logic in how fares are created. However our proposals are not solely based on distance travelled as this contradicts other requirements and would put fares up for some people where this is not needed.		✓			✓		
A fares system that can offer savings based on the time of booking.	68% of people wanted consideration (definitely or maybe) of fares based on the time of booking.	Stakeholders felt there should be affordable on-the-day fares for short and medium distance journeys, enabling last minute decisions to travel by rail.		We recognise the need to protect access to affordable, on the day travel. Our proposals reflect this but allow for much greater opportunity to save money by offering a better range of fares both booked in advance and purchased on the day, with greater flexibility to change plans for people booked on a specific train.	✓	✓		✓	✓		
The ability to manage fares online through accounts linked to a national system.	88% of people wanted consideration (definitely or maybe) of online accounts which can be used for rail and other types of public transport.	Stakeholders offered support for account-based ticketing but felt there should still be affordable flexibility and walk-up fares for short, medium and in some cases distance journeys.		Our proposals enable smart technology to be used as part of an account-based system.	✓		✓	✓			

Conclusions and next steps





This document sets out proposals for an easier fares system as a first part of the industry's submission to the Williams review in to the future structure of rail. We know our customers want change quickly however, so we want to work with government to begin the journey of improvement where possible now, starting with a review of the TSA and running a series of real-world trials over the next year. Commercial contracts would then need to be revised and agreed, starting a programme of reform which, with all parties working together, has the potential to be rolled out operator any operator across the network over the next 3-5 years.

The current system risks failing to protect customers. Rather, it distorts the market and undermines trust, to the extent that up to 35% of people are being put off travelling by train because they find it difficult to find the right fare.

No change is not an option. To do nothing is to fall behind, not stand still.

Unless we bring the system up to date with how people work and travel today, the railway is likely to become increasingly outmoded. An overly rigid fares system will inhibit the flexibility of travel required in today's economy.

For an industry which has been at the cutting edge of technology, and in earlier eras drove huge changes in behaviours, this would be a great tragedy; and yet, as we have demonstrated here, there is also a tantalising opportunity.

The incremental improvements to the system we have delivered within current constraints (as set out on page 28) are valuable, but with changes in regulation we can deliver far more. Working with government, passenger groups,

retailers and others, we can create an up to date, easier to use system where customers have more control over when they travel and how much they pay, easing crowding at the busiest times of day and boosting the funding available for investment in the future railway.

We also believe that current ticketing reform projects in the pipeline could, with the aid of our fares proposals and the agreement of government and devolved authorities, quickly offer real benefit to customers and communities. This is particularly so with many of the planned smart ticketing schemes that could make a real difference to people's lives, but only with the right fares structure in place.

These proposals show how this can be delivered, starting with the first stage, which is to work with the government to create a new set of regulations for the fares system as a whole, replacing the TSA. This does not require statutory change so could be done very quickly.

With these new regulations in place, the second stage would see commercial changes agreed with operators as part of changing the price regulation. This can ensure that the right products are developed for the right markets incrementally, with new pricing structures better able to reflect what people want to see from fares including fairness, flexibility and a pay-for-what-you-need approach - allowing operators to be flexible in the face of shifting patterns of consumer behaviour.



The changes would need to be made on a contract-by-contract basis, with government weighing up the implications for each individual operator. The rail industry is committed to working with government to kick start this process. In addition, a series of real-world trials need to be set up in parallel with the Williams review process over the coming year that can showcase new

types of fares and how they are sold, and this will require regulatory approval. These trials would demonstrate the benefits to customers of reform while enabling further commercial modelling on a train operator by train operator basis, as a fundamental part of delivering a sustainable and successful new fares system.

Trial	Operator	Purpose
Single Leg Pricing	Long distance mainline operator	Mixing and matching best value fares out and back
Pay as you go	Suburban commuter operator coming in to London	Expanding flexible commuter fares beyond London
Leg based pricing	Long distance operator	Creating through fares from best value 'legs'

Half of the industry's revenue either flows directly through to government or is within the scope of franchise renewals taking place in the next 12 months. With joint working, meaningful improvements can therefore be achieved quickly, supporting full reform rolling out across the network through the contracting process over the next 3-5 years. Other changes could be implemented through existing change processes in contracts. These reforms are capable of taking place under the current system, and under any new structures adopted by government and transport authorities as an output of the Williams review and are therefore complimentary to the on-going review.

The Rail Delivery Group, as the unified voice of the train operators and Network Rail, is arguing for reform not for the sake of change but for the pressing urgency of change. Reforming the system of fares is part of that journey, making fares simpler to understand, easier to buy, and always the best value-for-money. This document sets out our ideas for reform, backed by evidence, analysis, and popular opinion. With government, industry and others working together, we can move to a system which meets the needs of our customers and equips the railway for success now, and the generation to come.

Glossary



Term	Definition
(Fare) Anomaly	For example, when the price and/or terms and conditions of one ticket permit it to be used for another journey on which the advertised fare is higher.
Department for Transport (DfT)	Government department that oversees the regulatory structure for fares and is responsible for letting the majority of passenger rail franchise contracts in England & Wales.
Fare cap	A feature which limits the total amount than an individual will pay for journeys or within a defined area within a given period. Normally used in conjunction with a pay-as-you-go scheme.
Fare bundles	Combinations of different fare types
Fare types	<p>Anytime – a fare valid at any time (and on any service unless specified) for date(s), journey and route shown on the ticket</p> <p>Off-Peak/Super Off-Peak - a fare valid at restricted times (and on any service unless specified) for date(s), journey and route shown on the ticket. The restricted times will depend on the journey</p> <p>Advance – a fare bought in advance for travel on a specific service or sequence of services. Cannot be refunded and is only exchangeable for a fee.</p> <p>Season Ticket - a fare valid for unlimited travel until the expiry date for use at any time (and on any service unless specified) for the journey and route shown on the ticket.</p>
(Passenger Rail) Franchise	Contract let by the DfT, Transport Scotland or other nominated authority for the operation of defined passenger railway services for a fixed period of time within Great Britain.
Fully flexible tickets	Anytime fares – see ‘Fare types’ above
Mobility as a Service (MaaS)	The use of a digital interface to source and manage the provision of a transport related service(s) which meets the mobility requirements of a customer.
Office of Road and Rail (ORR)	Independent safety and economic regulator for Britain’s railways with responsibility for monitoring Highways England’s management of the strategic road network.
Pay-as-you-go (PAYG)	Payment structure where transactions are made in real time based on a customer’s actual use of the network.
Rail Delivery Group (RDG)	Organisation that brings together the owners of Britain’s passenger train operating companies, freight operators, HS2 and Network Rail.
Retail Price Index (RPI)	The index currently used to inform the increase in price of regulated fares, as specified in franchise agreements.
Single Leg Pricing (SLP)	The sale of tickets on a single-leg basis so that customers are able to choose the most appropriate ticket for each leg of their journey.
Through journey	A journey between stations on the rail network that involves use of more than one operators’ train services
Ticketing & Settlement Agreement (TSA)	Mandatory agreement between government and train operators that sets out the rules for creation, distribution, sale and settlement of rail fares.
Split ticket	Two or more separate tickets used together to make a through journey.
System process	A set of rules incorporated into algorithms to ensure that fares are calculated and offered in accordance with agreed regulatory and commercial processes.
Ticket Vending Machine (TVMs)	Machines designed to provide rail customers with the opportunity to make quick and easy ticket purchases at the railway station.
Walk-up railway	Term used to refer to train services which can be used by purchasing and/or use of tickets on demand without the need to book in advance.

Rail Delivery Group



www.raildeliverygroup.com

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