

**Rail**

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[By email: [ORRretailreview@orr.gsi.gov.uk](mailto:ORRretailreview@orr.gsi.gov.uk)]

Dear Ms Carty,

Thank you for the opportunity to comment on the emerging findings from the ORR's work on the Retail Market Review.

Rail fares and the approaches to ticketing in Scotland are a matter for the Scottish Government and as has been shown by the new ScotRail and Caledonian Sleeper Franchises, we have a proven track record in supporting the introduction and development of new technologies and initiatives to further improve the rail passenger experience.

We welcome the ORR's views on areas that can make rail a more attractive mode of transport, such as the potential for a wider range of retailers (including retail locations), greater industry co-operation, particularly in relation to smart ticketing, and for more innovative ticket products. However, ticketing is not an area where we would support increased regulation. Rather, it is our view that the issues raised in your document would be best taken forward by the industry, for example through the Rail Delivery Group, working closely with franchising authorities and passenger groups.

The Scottish Government also has a proven track record in ensuring that rail fares are affordable and fair, for fare-payers and for taxpayers. On ScotRail services, which are franchised by the Scottish Government, the franchisee Abellio has introduced a Price Promise to help tackle anomalies. (In addition, in May 2013, the Scottish Government removed a large number of these anomalies from the system, at a cost of £2.28 million.) In the current ScotRail franchise period, Abellio ScotRail (ASR) has plans to introduce innovative ticket products, including flex carnets with an auto top-up function, a Club 50 smartcard and contract Season tickets. ASR will also pilot ticketing improvements, including remote ticket download facilities and account-based ticketing.



In Transport Scotland's response to your consultation on the potential impacts of regulation and industry arrangements and practices for ticket selling (October 2014), we made clear our support for the simplification of the rail ticket purchasing process and the need for co-operation between industry bodies to ensure that the passenger can access the most appropriate and best value fare for their journey. The paragraphs below highlight some areas where Transport Scotland is of the view that ORR's proposals may result in outcomes that are counter to our aims to ensure that rail fares are simple for passengers to understand and that rail tickets are easy to purchase.

The ORR proposal to separate out the cost of the fare and the cost of retail may make it possible for individual TOC and third-party retailers to better compete on the overall cost to passengers. However, this creates a potential for a range of different prices from different retailers and retail channels for the same journey, which would work against efforts, by both industry and government, to simplify fares. We understand that the existing ticket options can be complex for passengers – i.e. the number of fares on offer for any particular journey, the restricted range of fares on particular retail channels (e.g. ticket vending machines) and the potential for fares anomalies. (It is worth re-iterating that fares anomalies are less of an issue on ScotRail services, due to the aforementioned Scottish Government and ScotRail actions to tackle anomalies in Scotland.)

The resultant differences in the overall cost of a fare between retailers would mean that, in order to secure the best value ticket for their journey, passengers would have to know which company offers the cheapest ticket (as well as: which retail channel to use; which ticket type to choose based on the ticket conditions and their suitability to the passenger's journey; and, where anomalies exist, which ticket combination is cheapest).

The proposal to separate out the cost of retail from the cost of the fare would therefore appear to add a layer of complexity to ticketing that could make it more difficult for passengers to secure the best value ticket for their journey.

We note that a similar argument can be made against the proposal to relax the rules around the national integrated network on selected routes. The ability for passengers to purchase rail tickets from any retailer helps to ensure the passenger can access the best value fare, reduce the complexity and makes rail a more attractive option. It may be prudent, therefore, to concentrate efforts on improving the overall offer for passengers – by improving shared IT systems and securing efficiencies in retail – that will reduce the overall cost and complexity for passengers.

Turning to your recommendation for governments in the UK to set out a vision for smart ticketing, the Scottish Government's Delivery Strategy for smart and integrated ticketing set out our vision, 'That all journeys on Scotland's bus, rail, ferry, subway and tram networks can be accessed using some form of smart ticketing or payment'<sup>1</sup>.

<sup>1</sup> <http://www.transportscotland.gov.uk/report/delivery-strategy-%E2%80%93-smart-integrated-ticketing#sthash.D9VpeE0A.dpuf>

We know that integration between transport operators – across all public transport modes in Scotland, including rail, bus, ferry, tram and subway – will be key to creating opportunities for more seamless end-to-end journeys for passengers in future. The Scottish Government has invested in ITSO-certified smart technology and equipment across transport modes:

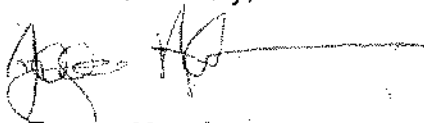
- All Scottish bus fleets are equipped with ITSO ticket readers as part of the concessionary travel scheme;
- Abellio ScotRail is currently working to implement ITSO-based smart ticketing across the entire ScotRail network, with smartcard validators now in place across the estate and ambitious uptake targets contracted through the franchise;
- ITSO is also the technology behind Strathclyde Partnership for Transport's (SPT) Glasgow Subway smartcard and plans are underway to integrate the SPT and ASR schemes; and
- The Clyde and Hebrides ferry franchise procurement currently underway requires the introduction of ITSO compatible tickets for foot passengers.

There is a consensus across public transport operators that ITSO is the only realistic option to implement a Scotland-wide integrated ticketing system, and that initially this will need to be based on ITSO smartcards. Equally, it is agreed that the system must be able to evolve to make use of 'phone ticketing and contactless bank cards for appropriate ticket purchases – this can build on the commercial and technical standards underpinning the ITSO system.

The development of integrated ticketing within Scotland does not reduce the value of the inter-availability of rail tickets compatible with the system across Great Britain, and the Scottish Government wishes to see this network benefit maintained. To this end, we would wish to see ITSO standards used as the basis for smart rail tickets across Great Britain, so that the evolution of ticketing to smart media does not lead to an unnecessary and unwelcome loss of inter-availability and network benefits.

I hope this reply is helpful and I am content for a copy of this letter to be placed on your website.

Yours sincerely,



**Frazer Henderson**  
Head of Rail Policy  
Transport Scotland