House of Commons

Transport Committee

Oral evidence: Scrutiny of the draft Rail Reform Bill, HC 584

Wednesday 8 May 2024

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Watch the meeting

Members present: Iain Stewart (Chair); Jack Brereton; Sara Britcliffe; Fabian Hamilton; Paul Howell; Karl McCartney; Grahame Morris; Gavin Newlands.

Questions 130–160

Witnesses

II: John Davies, Vice-President for Industry Relations, Trainline; and Cameron Jones, Chief Strategy and Commercial Officer, SilverRail.

Written evidence from witnesses:

- Trainline
- SilverRail Technologies UK Ltd

Examination of witnesses

Witnesses: John Davies and Cameron Jones.

Q130 **Chair:** Welcome to our second panel this morning. For our records, could you state your name and organisation please?

John Davies: Good morning. I am John Davies. I am vice-president for industry relations at Trainline.

Cameron Jones: Good morning. I am Cameron Jones. I am chief commercial officer for SilverRail.

Q131 **Chair:** We are grateful for your presence and evidence this morning. You were both in the audience to hear the first panel. We touched on the issue of the proposed centralised online ticketing platform, which the Government decided not to proceed with last year. Briefly, could you give us your reaction to that change of policy?

John Davies: The first observation is that, to some extent, it is possibly a moot point in so far as the current Government have decided not to proceed, and the Opposition have shared their intention not to proceed with a centralised retail platform, should they be admitted to power.

Our broader reaction is that competition in any marketplace is always a positive thing, as we have always said. The theme that was prominent in our mind was the entrance of a state-backed, vertically integrated monopoly and what that might do to the nature of competition in the retail marketplace. The provisions around the wider retail market and how that would be structured and regulated effectively in the interests of all participants was something that was top of mind for us but was never given any great prominence in the thinking around how a centralised retailer would operate in practice.

Q132 **Chair:** Thank you. What is your reaction, Mr Jones?

Cameron Jones: We were shocked, frankly, that it did not go through in December, before Christmas. I take a differing opinion from John around the sense of a state monopoly. We almost have a monopoly now in ticket retailing, and the introduction of GBR as a retailer would provide more competition in retailing. That would drive more innovation in the market. Frankly, without GBR we would find that consumers are more confused about rail. Imagine British Airways with no BA.com or British Telecom or British Gas with no retail site. There would have to be a website, but what would they have on that website? Pictures of trains? Retailing through GBR is central to getting more people back on trains and providing competition to the third-party retailers.

Trainline does a great job of retailing in the UK, and in other markets as well, but it needs competition to drive innovation. If customers are taking trains, branded either by the current franchise brands or in the future potentially by GBR, and they go to stations and see GBR branding and buy tickets from stations or vending machines branded GBR, it would only follow that there should be a GBR website to retail, otherwise you will find very confused consumers wondering where they should buy their national tickets from.

Every country in the world that retails rail has a national website that retails rail. I think it is a real step forward for the UK to do this. That innovation would get more people back on to trains and drive more competition, cheaper fares, better service and better innovation. You would find that Trainline and GBR would challenge each other. More third-party retailers would enter the market and challenge each other to drive a better service.

Q133 **Chair:** Let me probe that point a little further. You don't have any concerns that if there was a GBR.com ticket facility, it would just become a monolith and squeeze out competition to the margins.

Cameron Jones: No, absolutely not. There is a strong need for third-party retailers. I have worked in travel technology all my life. I worked for Expedia for a number of years before SilverRail. Before that, I worked for a hotel chain. I see the benefits of competition between the supplier and their own branded website and intermediaries pushing each other to drive more innovation and a better service for customers. Without that, you will see stifled innovation because you do not have a natural place for people to choose where they prefer to buy tickets. Some people go to BA.com to buy their tickets because they prefer that. A lot of people go to Expedia, lastminute.com and many other retailers to buy their tickets for BA or other airlines. I think it is quite the opposite: it would encourage competition and it would be better for consumers.

Q134 **Chair:** Presumably, if there was a centralised platform, there would have to be safeguards. A third-party vendor would have access to all the data, the algorithms and so on.

Cameron Jones: As a company, SilverRail powers both rail carriers' own direct websites, and also retailers. We power Virgin Trains in the UK. Google uses our data to search for trains. There are many others, such as Seatfrog and other retailers. The same access needs to be provided 100% for all retailers as it is for GBR. GBR should have no advantage over retailers. It should be the same access to fares and promotions. The fair playing field needs to be non-discriminatory and needs to be established so that third-party retailers have a fair chance to compete with GBR.

Q135 **Chair:** As I alluded to, this is not current Government policy. If they did a reverse U-turn and went back to their original proposal, is it something that you would need to see on the face of the Bill or would it wait for secondary legislation?

Cameron Jones: It absolutely needs to be in primary legislation. It needs to be a central focus for retail. I disagree with the previous panel. You cannot have simplified fares and ticketing without a simplified retailing strategy. Without the face of GBR being online, it is like a cart with no horse. It 100% needs to be in the primary legislation.

Q136 **Chair:** Mr Davies, you said in your evidence that "there should be a specific, principles-led, duty for the IRB to ensure all rail retail participants are treated on a fair, equal and non-discriminatory basis," and that the ORR should have powers to enforce a level playing field. Can you talk us through why you think those measures are required?

John Davies: Sure. The context is important, which is that the community of independent retailers—around 10, in addition to the different train operating company retailers that exist at the moment—exists in the marketplace, but that marketplace is essentially unregulated at the moment. It is controlled in terms of entry by the Rail Delivery Group, which allocates the licences to be able to retail. The Rail Delivery Group sometimes finds itself conflicted in that role because it is an association of member interests. There are occasions when RDG's roles as both licensor and essentially competitor once removed come into conflict with each other.

This means that at the moment the kinds of themes that Cameron talked about do not always come into play. We see areas where train operators are acting in ways that are self-preferencing. They withhold certain types of fares for themselves and certain types of products and features, so that only those things can be done by them. Indeed, they withhold access to markets. We have been trying for three years to expedite the availability of digital season tickets across the industry. It took us 10 years to get the availability of digital mobile tickets across the industry. These things move much more slowly than they should. An effectively operated, structured and governed market is an important step as we think about reform of the rail industry. The community of retailers now collects approximately half of all passenger income across the industry. The participants in that industry need to have the assurance that they can compete, can operate fairly and effectively and with stability.

Q137 **Chair:** Thank you. Do you agree with that, Mr Jones?

Cameron Jones: Yes, I would echo John's comments. The third-party retailers need to have the same access to full fares, data and promotions, as I said before, as any centralised retailing solution. It creates more innovation, more competition and more choice for customers. They can buy tickets where they choose to buy tickets. It is the right thing.

Q138 **Jack Brereton:** Mr Davies, in terms of competition, Trainline has quite a significant market share at the moment, doesn't it? Do you think there is effective competition in the ticketing market?

John Davies: It is true to say that Trainline is certainly successful, but it is not exempt from the powers of competition by any means. I have already talked about some of the other independent retailers in the market. In the last year or two, we have seen the entry of large organisations like Uber into UK rail. We see really strong global brands like Virgin in UK rail. In the end, in this marketplace, you have to remember that customers have a choice. They choose to come to you because of the service or the product that you offer. That is what differentiates you in the marketplace. By and large, the prices are homogenous. The extent to which Trainline is successful is that it serves customers in a way that customers respond to. They respond in terms of repeat purchases.

We are kept on our toes by the other participants in the marketplace. We have talked a little bit about Google, Cameron mentioned Virgin, and there is Uber. They are all there. Ctrip is another entity that is a retailer in the UK. It is a Chinese-backed, state retailer. All have not insubstantial resources that they can bring to bear in this marketplace. They are certainly equipped to compete with Trainline, as they are choosing to do.

Q139 **Jack Brereton:** Mr Jones, what sorts of barriers to entry are there for new entrants or third parties coming into the ticketing market?

Cameron Jones: That is a good question, Jack. Structurally, the commission payments are a challenge or a barrier for new entrants to the market. I think you need to be at significant scale like Trainline to run a profitable rail retailing business. John mentioned the new entrants, and he is right. They have deep pockets. They are great brands that could get into rail, but if you saw Trainline's earnings call just the other day, they are not a blip on the radar for Trainline right now.

Virgin Trains ticketing is growing significantly, but also struggling. There is a very big gap between Trainline and anyone else because of the cost of entry to the rail ticketing marketplace and the need for scale before you can run a profitable business. That is a big hill to climb, hence why Trainline has such a good lead and is such a successful business. It is difficult for anyone to really challenge Trainline currently.

Q140 **Jack Brereton:** Do you think there should also be more options in ticketing, to offer different sorts of packages? At the moment it is very structured. The price is very structured. Adding other packages and things like that, as you would see in the airline industry, doesn't really exist at the moment when it comes to rail ticketing. Both of you might want to come in on this. Are there more opportunities to grow that in terms of offering different packages?

Cameron Jones: In general, fare simplification would be a good thing. Everybody you speak to today, I am sure, would echo those comments. Simplified fares create an easier to understand system. The key thing with retailing is looking at the barriers that we currently have. There are paper tickets that you need to print out of ticket vending machines, depending on where you buy your ticket. If you buy a train ticket that passes through London, you can no longer access a barcode; it has to be printed on a CCST—a paper ticket. Being able to retail in stations with barcodes or having the entire network barcode-enabled—I think John would agree with this—would get more people out of cars and on to trains. It would get more people out of planes and on to trains.

It is about high street retailing and allowing people to buy tickets from their local corner store, or wherever people shop or pay their electricity bills. It is not just the fares. It is the channels the tickets are sold through and trying to digitise as much as possible. There need to be options available for the unbanked, or people who do not use mobile phones or the web, to allow them to go to their corner store and print out a barcode ticket there, and still use the network.

Q141 **Jack Brereton:** Do you have any further thoughts on that, Mr Davies?

John Davies: I would share almost everything that Cameron referred to. To build on it a little bit, the advent of digital ticketing in train tickets more broadly has been transformational for the industry. What we have seen is that where customers use their mobile devices to buy tickets, they tend to do so more often. That was a lesson that Transport for London taught us, let's say 15 or even 20 years ago, when Oyster showed that if you make it easier for people to buy their travel entitlements, people travel more often. Unhindered, the industry could really exploit some of the opportunities there.

Season tickets could do with reforming in two ways. One is the universal adoption of a common fulfilment standard, which I think we would say would be barcoded in the first instance. That enables customers to have their regular travel entitlement and to have delay information, platform information and "What do I do if things go wrong?" The ability to have your travel entitlement in your mobile device is hugely liberating, but still a very digitally under-exploited part of the market.

Q142 **Jack Brereton:** At the moment, do you have the flexibility to do discounts, offers and things like that?

John Davies: No. The problem with that as an assumption is that retailers—as Cameron said—are currently paid 5%, which will change to 4.5%, as a commission. It is 2% in the seasons market. Candidly, those commissions, even at scale, are challenging to operate viably. You have to take into account the costs of sale, the payment costs, the fraud costs, costs of customer service and the fulfilment cost. Every time you sell a ticket there is a fulfilment cost to the barcode. All of those things eat all of the commission payments; therefore, you need to look for other ways of monetising what you do in the rail industry.

Discounting is not something that can be done by retailers. We only have 5% of the share of the face value of the ticket to play with. It is something that is done more widely by train operators, who sometimes discount by 10% or 20%, or offer cashback-type schemes. That is a concern in the market in which we operate at the moment because they are clearly operating outside an economic window of retailing that everybody else is required to operate within. That is something that a reformed rail industry would need to address, so that everybody operates within the same economic framework. That is one of our particular concerns.

It is more than simple discounting, which is quite a blunt tool. If you think about season tickets, the commuter market is a place where it is known that regular commuters are among the slowest to return to travel. The leisure market has rebounded resoundingly. The commuter and business markets are lagging, yet the season ticket product available in UK rail is a construct that is 40 years old, maybe more. In today's retail environment it seems obvious to us that if you could entertain, relatively simply, seasons that were digitally enabled—a more you buy, the more you save type product—it would eventually get you to the levels of discount of an annual season ticket. There are relatively few people now, in this day and age, who want to commit several thousands of pounds up front to an annual season ticket to get the best discount that is available to them, because people are much more mobile, they change their habits, places of work and where they live. Without having to move too far the underlying principles of the way in which seasons are priced, you could choreograph the product in a way that would be much more effective for today's customers.

Q143 **Jack Brereton:** I want to ask you about the development of the IRB's business plan. Do you think that ticket retailers should have some say and involvement in that?

Cameron Jones: I think the retailers should be consulted, absolutely, but we need to be cautious that we do not run a process that slows down decision making. Third-party retailers have very customer-focused orientation and can provide great feedback to the IRB on what works for consumers. I think that needs to be taken into consideration, but limited so as not to slow down the process. Secondly, I think there should be full transparency around any of the meetings or any of the feedback so that everybody in the market is aware of what is being advised. There should be transparency in the decisions that come out of those processes.

John Davies: I agree with what Cameron said. I think we would like to see a closer connection between what the rail industry is trying to achieve for itself in certain markets and in certain demographics and the commercial goals that it is trying to reach and the role for retailers in achieving them. There is a role for retailers to have dialogue with a future rail industry in the formulation of a business plan. Exactly as Cameron says, that should be transparent. It should not slow processes down. That would be hopeless. I would rather like to think of it as speeding things up. What is the agenda? What are we trying to achieve? How do we make those things happen? How do we get among it? Also, how is it held to account if those things are not delivered? Those things are all important.

Q144 **Gavin Newlands:** Perhaps I could briefly build on some of the questions that my colleague was asking. I should say that I am a regular user of Trainline.

Mr Davies, you made a point that because of the constraints of commission, which you both have issues with for slightly different reasons, operators have the ability to give higher reductions in fares, and it is potentially cheaper than buying from a third party such as you. My point is that surely that is normal. If I go to my local takeaway—not that I frequent such places on a regular basis, Chair—

Chair: Perish the thought.

Gavin Newlands: Indeed. They encourage you to contact them directly or use their app, rather than using Foodhub, Uber Eats or other such apps, and you can get a bigger discount as a result. Surely, that is just normal in retail, irrespective of what sector it is.

John Davies: That is true to an extent. What is problematic is that in effect a train operator is utilising its dominance in that market and offering something in the marketplace that is cross-subsidised from the revenue that it takes from the sale of the ticket. The industry has created for itself an independent retailer market to compete, but the way in which train operators are allowed to compete is compromised by the ability of train operators to cross-subsidise the discounts that they give from the fares that they take.

In an era when we aspire to simplification, cohesion and creating greater certainty in the minds of customers, orchestrating the fares offer so that it is simpler is one of the themes that has pervaded reform. What differentiates competition is the way in which those things are offered up to customers, the way they are sold, how they are sold to different demographics and different market segments in different ways and how they are sold with different adjacencies to other things, as we have seen Uber do in the marketplace in the last 12 months.

Q145 **Gavin Newlands:** Previously, the Minister said that, essentially, the Government were agnostic as to the levels of private and public sector involvement. This was in discussions with regard to LNER and operators of last resort, which is obviously slightly different from the ticket retailing end of the market. Nevertheless, part of the draft Bill asks for an annual report on boosting private sector involvement in the railway, despite that view being given. Do you think the IRB should be required to have a specific section on retail in that requirement, because at the moment it does not? I will start with you, Mr Jones.

Cameron Jones: I think John would probably agree with me and say, yes, we think that is correct.

Gavin Newlands: I thought he might.

Cameron Jones: Again, it makes perfect sense to include that section. Private enterprise is an incredibly important part of rail retailing. To pick up on your question before, the level playing field needs to have the same access to pricing. As you said, the reality is that in every other travel vertical you see the same thing. The suppliers are usually trying to do as much as they can to win customers to their own direct channels, but there is a lovely symbiotic relationship between intermediaries and suppliers. The suppliers see the intermediaries like Trainline as a great customer acquisition tool. If they do a great job in their service, maybe that customer turns into a direct customer. Maybe that customer wants to shop around again and go back to an intermediary. That relationship should continue to occur. Intermediaries bring value to suppliers that they cannot do themselves, whether it be marketing in other countries or bringing customers who want to buy a hotel and a train together. It is important that the same access to fares is fundamentally the platform that national competition flows from.

Q146 **Gavin Newlands:** Can I push back slightly? Surely, the operator or the person providing the service to the consumer or the passenger—in this case a rail service—with all of the far greater overheads and costs that the service has than just the ticket, should have more flexibility to do as they wish with regard to tickets?

Cameron Jones: Again, it is about filling trains. Most trains are not full at the moment, so suppliers need to be sensible about how they utilise all of their channels to try to fill their trains. That could be through different commission payments for different trains, different times, different products, different markets or different channels. It is not a blanket approach to retailing. It is about how to be smart about your operation and run a more profitable business.

Q147 **Gavin Newlands:** Can we come back to the question on the draft Bill, Mr Davies?

John Davies: Yes, the annual business plan. We have to think about rail industry retailing as the shop window of the industry. To give a personal view, sometimes the industry is quite preoccupied with the civil engineering or the track and signalling, rolling stock and operations, and all of the things that go into making it happen. Curiously, it spends less time devoted to how customers actually find and access the services that are provided.

To answer the question, Mr Newlands, yes, I think there should be a section on retailing in the annual business plan. I think it would be helpful for the industry to set out what it wants out of retailing in terms of how customers are acquired, in which segments they are acquired, how those segments perform and whether they meet expectations, and where there is opportunity to fill surplus capacity, as Cameron described. If the average load factor across the industry is something just in excess of 50%—of course we have some trains that are very busy, as we all know—there is still plenty of opportunity to fill trains at different times using different price levers, if those were available to retailers to do so.

Q148 **Gavin Newlands:** Obviously, you guys would prefer it if you had more flexibility with regard to commission in slightly different ways, and perhaps a bit more commission. We talk a lot about money going out of the system, potentially to overseas state owners of operators, or for reinvestment into private companies. I am not a troglodyte. I am a former business analyst. That is money that is potentially leaving the sector. There is an argument to be made that on the retailing side perhaps Trainline, which is an excellent platform that I use regularly—other providers are available—is still the easy end of the rail market. Obviously, operating a service is tougher and requires more risk, but potentially the private sector is taking the easy money. I know you will potentially take offence at that. Are you taking the easy money out of the rail system, as opposed to the money staying in it if there was a GBR ticket seller? What would be your answer to that?

John Davies: I am going to take it in two parts, if I may. The easy money that you refer to is the product now of 20 years of investment. It is not like some web pages on the front of a database. It is fraud expertise. It is payments expertise. You have to have banking grade infrastructure to take billions of pounds of the industry's revenue. It is not easy. That is the first part. The second part is the commission that is paid to retailers and the concept that comes to the fore occasionally that somehow this is a tax on the industry; it is money leaching out of the industry and it would be better staying in the industry.

It all comes from a place that supposes that retail that was done by the Government or a state-owned provider is free, and of course it is not. Retailing always costs. There is a payment provider; there is a developer; there is user experience that has to be planned; there is fraud that has to be paid for; and there is customer service. It all has to be paid for. Actually, that it is done within the confines of a 5%, a 2% or a 4.5% commission construct is an extraordinarily cost-effective way of selling train tickets and, might I venture, more cost-effective than many other retailers are able to provide it for in the rail industry currently.

Q149 **Gavin Newlands:** Mr Jones?

Cameron Jones: I concur with John. Whenever there are empty seats on a train, there is an opportunity to pay for the marketing of those seats. I think the commission that is paid to the retailers goes a long way to try to fill those trains. There could be a more prescriptive or analytical approach to those commissions, as I touched on before, to make sure that you are allocating capital to where it needs to fill trains.

It is exactly as John said. Direct distribution for a supplier is not free. That commission pays for customer acquisition costs, fraud costs, customer costs and all the things that John mentioned. There are payment costs as well. It is not easy money. It is not free money. It is certainly paid for, the marketing of those trains. Until the trains are full, it is difficult to say that it is wasted money.

Q150 **Sara Britcliffe:** I will come to both of you, but John first. What provision specifically related to ticketing would you like to see in any future legislation?

John Davies: For us, it is principally about the creation of the correct market structures. If we take as a starting assumption that the policy direction of travel from both the current Administration and the Opposition is that there will not be a centralised retailer, the question arises, "Well, what form will the retail market take in the future?" We can speculate that train operators will continue to retail as they do now, perhaps in a slightly aggregated form, with fewer providers in the marketplace. That seems to be one direction of travel. There is then the community of independent retailers. We have already determined that it is a market of high value, so we are talking about the collection of £10 billion or £11 billion-worth of industry revenue. For that market to function effectively, it has to be orchestrated properly and regulated effectively.

The thing that we are most concerned about as we move into the future is the separation, in regulation terms, of licence givers and competitors. At the moment, to return to the point I made at the start, Rail Delivery Group allocates licences, but Rail Delivery Group is also a member organisation. That leads to conflict of interest. We would, most of all, like to see the legislation provide for structural separation between licence giver and competitor. We would like to see provisions that ensure a level playing field in the marketplace, meaning that everybody who comes into the market can do so on equal terms, can compete equally and can benefit from access to the same fares, the same features and the same functions and can serve customers equally, all in pursuit of the competition that we have been talking about this morning.

Cameron Jones: If it was not obvious, first and foremost there should be a centralised retailing solution. The concept of continuing with 13-plus different websites for train operating companies just adds more confusion and incoherence to the marketplace. Aggregating that to a single retailer makes perfect sense, in my mind at least.

We would like to see an end date for the CCST—paper tickets. Ubiquitous barcodes across the whole market, including across London, would make sense. There should be a provision for allowing retailing to happen outside ticket stations, in high street channels where people can buy tickets. There should be a way to hold the central system to account and benchmarked against innovation. How can we make sure that innovation happens quickly and the centralised body is held to account for the continued investment and quick innovation process?

Q151 **Sara Britcliffe:** I think you have just answered my next question. What do you think this excludes in terms of rail reform? Cameron, I think you have answered that question. John, is there anything you want to add to that?

John Davies: Could you re-ask the question?

Sara Britcliffe: Is there anything that this excludes from rail reform that you would like to see in the future?

John Davies: Aside from provision for the frameworks of the way in which the market should operate, Cameron listed a whole variety of things that should be brought to the fore, all of which we would support. The previous panel looked back to the 1993 Railways Act. We look back to the network conditions that were in place at the time. One ubiquitous token was available, which was the orange mag-stripe ticket that enabled you to make any journey from anywhere to anywhere, including cross-London, and to do so seamlessly. The fragmentation in the rail industry over the last 20 or 30 years has, in some regards, inhibited that. It is now not possible to make a journey from Seaham to Brighton without making a separate journey leg across London in a way that is entirely unhelpful and counterintuitive to customers. That is not to deny any of the achievements of what London has in Oyster and pay as you go, but that is a ticketing construct that is solely useful for a very discrete part of the rail network.

As the rail reform agenda steps forward, one of the things that concerns us most is that we don't invest further in geographically disparate islands, and make coherent travel across the network important. Pay as you go schemes have been announced in Manchester and Birmingham. They want to achieve the same things that have been achieved in London. The Mayor in Manchester talks about wanting London-like pay as you go, but the citizens of Greater Manchester also have to get to and from Greater Manchester. People outside Manchester have to travel into Manchester. That is all in the name of better economic mobility and serving the country better. For Greater Manchester to only think about the needs of customers that exist in the Greater Manchester area means that something misses.

The 1993 Railways Act made extensive provision for things like network benefits. It recognised that there was a desirable feature of a national network that enabled through ticketing, inter-availability and all of those sorts of things. That is quite an important principle that we should not lose as we go forwards.

Sara Britcliffe: One thing that Trainline does very well is the international travel that you can use through the app. If we were to move to a centralised system through GBR, how we would look at international travel would have to be a consideration. Right now, Trainline dominates with that. It is very simple to do. Thank you, Chair.

Q152 **Chair:** I want to follow up Sara's point and what you were saying about the devolved element, if I can put it that way, and how GBR will work alongside Transport Scotland, Transport for Wales, the subnational transport bodies and the mayoral combined authorities. Do you have any concerns, beyond what you have just alluded to, about how this construct of the industry will work from a ticketing perspective?

John Davies: Clearly, the construct of devolved powers has the effect of taking decision making closer to the communities that the elected representatives are there to serve. That is not our concern. Our concern is that if they make decisions that are parochial and narrow in their scope, they have the effect of stopping customers making seamless journeys from one part of the country to another. We have some important arteries in the east coast main line and the west coast main line. There is no problem today, but there was a moment in time when LNER and CrossCountry wanted to adopt mobile barcode tickets, but ScotRail was not ready to accept them. You get to a construct where there is greater fragmentation and disunified customer experience, and it just serves as an impediment to travel. That is as important for Scotland as it is for people in England, because people need to move about.

The industry solved that, because through tickets were the ones that were able to be sold as barcode tickets and for a period of time local tickets weren't. Scotland is now also barcode enabled, so the issue has gone away. That is a good example of the sorts of things that we need to avoid with respect to local pay as you go schemes, where they need to contemplate that people travel from beyond the boundaries that are served by those schemes. Retailers also need to be able to offer those products within those areas to facilitate travel on and off the islands, on to the bridges that get them to other parts of the country.

Q153 **Chair:** Does there need to be anything on the face of the Bill or in subsequent stages to ensure that co-operation and clarity?

John Davies: At this point, not being a legislative expert, I am not sure exactly where it should sit. Some framework provision ought to be made for those constructs, yes. I do not know whether it is primary legislation or secondary, but, yes, I think it should be provided for.

Q154 **Chair:** Do you concur, Mr Jones?

Cameron Jones: I don't have a lot more to say, other than echoing John. The co-ordination between Wales and Scotland needs to be very close so that ultimately customers have a joined-up experience between where they buy their tickets and where they use the tickets, travelling across those territories.

Chair: There are a couple of quick supplementaries from colleagues: first, from Karl, and then Fabian.

Q155 **Karl McCartney:** Thank you, Chair. You just mentioned framework constructs within the Bill. You have both just been talking about ticket pricing, innovation and the way things might move forward. John, you particularly mentioned that regular commuters—those who buy season tickets—have not really come back in the numbers that one would have hoped or expected since the lockdown. Do you think there should be provision in the Bill to do that?

To both of you, on innovation, we have seen with the potential of closing ticket offices that with any organisation staffing is a cost, and probably one of the largest costs. Do you think that the Bill should have incentives for season tickets to be cheaper than they were? Over £1,000 a month is a lot for anybody. It is probably more than many people's mortgage. Rather than innovation providing profits for the companies, should it go into lower ticket prices to bring passengers back?

John Davies: Ultimately, the amount that is paid for train tickets is a matter for Government policy in terms of the split between what is provided by subsidy and what is provided through the fare boxes. It is a moot point and is one that has been at play in the rail industry for decades.

The point I was making earlier is that you could do much more to encourage customers to be regular users of the network without necessarily having to discount prices significantly. Season tickets are weekly, monthly, an odd period or whatever they are. It means that at the point of purchase I have to declare my hand and my future intent for either a week, a month, three months or even a year in order to get the best discounts. In this day and age, with the way that people live and work, that seems anachronistic. If you could benefit from the same discounts but over a longer period of time, so that you bought a month's worth of travel but used it over three months, the actual revenue benefit to the industry might be the same in overall terms, but the flexibility that is offered to the customer is much greater. It is always easy to say that tickets should be cheaper and then more people would travel. Sometimes it is more nuanced than that.

Q156 **Karl McCartney:** Are you advocating something like a scratch card with 30 journeys on it, and you would scratch off each one you took over a three-month period?

John Davies: Yes, absolutely. A flexi-season was the early attempt to provide that kind of capability, but it does not provide compellingly better capability than the previous offers. One of the benefits of digital retailing—Cameron and I have talked about digital retailing, and of course we are advocates for it—is that it enables you to test things in a live environment with real customers really easily, and without much in the way of consequence. In a future industry framework, we would welcome encouragement for different retailers or technologists to try different constructs. If they work, that is great and we will do more of it. If it does not work, you turn it off.

One of the things I would point to is that where we have been able to roll out digital season tickets, on approximately half of the rail industry so far, we are seeing two really interesting phenomena occur. The first is that uptake of season tickets is starting to improve. That market is starting to come back. Secondly, you have improved patterns of repeat purchase of other types of products. If you get them in the habit of using the train, then lo and behold they decide that they are going to use the train more frequently. Those gentle nudges, behavioural changes and applications of consumer technology to make people's lives better, lower barriers and ease accessibility sometimes do enough to get people to try the train and to stick with it.

Cameron Jones: Travel behaviour has changed since covid. The concept of a season ticket is a reward or discount for frequent use. As John said, it is structured so that you have to plan out your journeys for the week, the month or the year and decide what is the best option for you. People do those calculations. If you spin that on its head and give people the confidence that they will be charged the best price to travel as much as they want, and then you look retrospectively at how they travelled and apply the season ticket or the frequent traveller discount, either as a pure discount and charge them post fact or as a loyalty scheme, which could be run by a centralised organisation, it is the same thing as your scratch card idea. It is rewarding people for frequent use.

On John's point as well, the more you encourage people through pricing points or products to get on the train, the more familiar they are with the train and that becomes the catalyst for the whole industry to get back travelling. It encourages more people to come to the office for face-to-face meetings. Exactly as John said, the nature of digital retailing allows you to trial these things. One of the challenges with RDG and some of the industry innovation is how long the trials last before it is rolled out as a product. It could be two years for something to be in trial before it is rolled out more broadly. That needs to be a much faster twitch. The trials need to be reflective of digital markets we see in other verticals, where companies are trying and testing new products and pricing technologies daily and weekly to see what customers respond to and what works. That is the way we should be thinking about this, as a digitally oriented customer-facing marketplace.

Q157 **Karl McCartney:** We should be thinking weeks or months at the most rather than years.

Cameron Jones: Yes, 100%.

Karl McCartney: Thank you both.

Q158 **Fabian Hamilton:** On the point about season tickets and scratch cards, it is a great idea by Karl, but the French already have the carnet system. You buy 10 journeys in advance and then you have a separate ticket or digital interface for each of those. You use them when you need to use them, rather than over a set period of time. Is that something that the industry is looking at, and that this Bill would enable?

Cameron Jones: It is another example of something that should be tested and tried. I don't think people want to carry cards around with them. As you implied, it is done digitally. Try that, and if it works in this marketplace, it should be rolled out. If it doesn't work, you can pivot to something else. The concept of discounting for frequent use is a well-known pricing strategy across any industry, and it makes sense. Again, it comes back to how we test these things, try them and see if they are right for this marketplace.

Q159 **Fabian Hamilton:** They certainly work in other parts of Europe. The point I want to ask about is the move to digital technology, which I think the majority of us in this room would applaud, and we probably use it ourselves every week, if not every day. How would you deal with those who are excluded from digital technology? They may be a small percentage of the travelling public, but they are none the less significant. How would you deal with people who don't carry a mobile phone or a smartphone and don't know how to use an iPad or a computer?

Cameron Jones: This is a critically important fact. The reality is that there are a lot of people—the unbanked or people who do not have mobile phones—who want to be able to buy tickets in whichever channel they are used to buying tickets in. That is why a centralised system that has a joined-up retailing approach is important, whether it be digital, web, mobile, voice or whatever the next channel is. It could be in a high street store, a ticket vending machine or a ticket office. It needs to be a single solution that allows people a consistent experience across all of those channels and doesn't leave anybody behind. It is important that you can get the best fares at the ticket vending machine or at your ticket office, and it is the same access to fares as you would find online.

Eventually, this market will behave like other markets in the world. In Sweden, for example, they do not have any ticket offices and 100% of their tickets are sold digitally, but that has happened over time and not by closing the ticket offices, hoping that people move digitally. Let's provide the solutions for them to move digitally first, and then phase out the ticket offices as we need to and when there are appropriate channels for people to buy tickets. They should not be left behind. All channels should be considered in this Bill.

Q160 **Fabian Hamilton:** The paper ticket isn't dead yet?

Cameron Jones: Not yet, but hopefully soon.

Chair: Thank you. That concludes this panel. I thank you both again for your time and evidence to us this morning.