HOUSE OF LORDS

Built Environment Committee

Corrected oral evidence: *Williams-Shapps Plan for Rail: Fare Reform*

Tuesday 13 July 2021

9.30 am

Watch the meeting

Members present: Baroness Neville-Rolfe (The Chair); Lord Berkeley; Lord Best; Lord Carrington of Fulham; Baroness Cohen of Pimlico; Lord Grocott; Lord Haselhurst; The Earl of Lytton; Lord Moylan; Lord Stunell; Baroness Thornhill.

Evidence Session No. 1 Virtual Proceeding Questions 1 - 12

Witnesses

I: Barry Doe, Fares Consultant, *Rail*; Neil Middleton, Fares Specialist, Railfuture; Mark Smith, Fares Specialist, The Man in Seat 61.

Examination of Witnesses

Barry Doe, Neil Middleton and Mark Smith.

Q1 **The Chair:** Welcome to the House of Lords Built Environment Committee's first public evidence session in our inquiry on the *Williams-Shapps Plan for Rail* on fare reform. The Williams-Shapps plan represents a revolution. It is not simply a development of the previous arrangements. There is therefore much scope for major improvements, but also a risk that matters may have been overlooked or miscalculated.

Our inquiry will focus on the proposals for fare reform. We will also look at the impact of the new system on finances and risk and explore topics such as flexible tickets, smart ticketing and the impact of Covid-19. We will then make recommendations to the Government in the autumn.

Our witnesses this week are Barry Doe, fares consultant, *Rail* magazine; Neil Middleton, fares specialist, Railfuture; and Mark Smith, fares specialist, The Man in Seat 61. Our session is being broadcast on parliamentlive.tv. A full transcript is being taken and will be made available to you, our witnesses, to make any corrections, shortly after the session. Thank you all for coming.

Perhaps I could kick off with the first question and ask each of our witnesses in turn to describe the key fare reforms set out in the *Williams-Shapps Plan for Rail* and add any brief comments.

Barry Doe: I am very much in favour of the overall Williams-Shapps plan. I look forward to Great British Railways starting and the freedom it will give the industry. But, when it comes to fares, very little is said in the plan at all. There is one main paragraph, paragraph 35, headed "Fares will be simplified", which contains some rather erroneous and contradictory statements in any case.

It rightly says that currently there is a mess. Actually, it says there is a mass—it could well have said "mess"; it is the same thing—of complicated fares and tickets. It wants to end the uncertainty and confusion about whether passengers are using the right train company, which only applies if you book an advance ticket, where you must stick with a particular train. Having said that it wants to simplify the system, in the following paragraph it goes on to say that it wants a greater range of book-ahead tickets. That is totally contradictory.

It also mistakenly says that advance purchase tickets have been a great innovation of privatisation. They were not. They were developed by British Rail. As with nearly everything on fares, as we will probably get to later today, very little has happened in privatisation. That is, sadly, because the very Act of Parliament that brought privatisation in enshrined the British Rail structure of fares. Everybody asks, "Why aren't you satisfied with that?"

I am not satisfied with that because British Rail was a huge innovator. It changed fares many times. In its last 15 years, from 1980 until the end, it was hugely innovative. A lot of the fares that we take for granted today and that are mentioned later on, such as off-peak fares, were brought in then. The only reason they were brought in then was because, in those days, British Rail was very fortunate in never having to get permission from the Government or what is now the DfT. It had total commercial freedom. It is almost an irony that, if you brought the proverbial Martian down to earth today and showed him how British Rail worked in its last 15 years, showed him today's structure and explained nationalisation and privatisation, I am sure he would come to the conclusion that we are now totally nationalised, as opposed to the totally privatised system that British Rail had.

The great thing about Shapps is that, by the back door, it recognises that and, I think, is leading us towards saying, "We want to go back to that system of commercial freedom for GBR to set fares". In that respect, although Shapps says very little about how it thinks fares will be simplified, that is a good thing. The last thing I would want to see now is the DfT coming in and starting to try its own method of simplification, which is very much constrained by the Treasury, I am sure, saying, "We don't want to take risk. It could lose a bit of revenue".

In fact, British Rail showed in the past that, when you reduce fares on a proper structure and bring in new systems, revenue goes up. As with the airlines, you do not reduce fares to lose money. You reduce fares to increase custom. I think there is a great future and I am not too concerned at the fact that the Williams-Shapps review says rather little on fares. I have every confidence that it will be greatly improved once Great British Railways starts.

Neil Middleton: Good morning to committee members and thank you for the opportunity of coming along to speak. I would very much echo Barry's comments, rather than repeat them. There are a couple of things I would say. First, the Williams-Shapps review, in terms of content in the report itself, has a lot more about the ticketing process than the fares. The fares are very much left unsaid. Like Barry, I hope that is a good sign, not a bad sign. There are some real challenges ahead that no doubt we will explore in the coming hour or so.

Ticketing is of course an important part of it. At least an effective ticketing system means that there is a greater chance that people will end up with the lowest and the correct fare for their journey. There are some hints in the report about fares reform. There is talk, particularly in the metropolitan areas, about much more pay-as-you-go. That might mean some fares reform, but that is by no means guaranteed.

Transport for London does pay-as-you-go, and that is all based on single fares with a cap. The line I use, Thameslink, also does pay-as-you-go, but that is actually after the event. It works out which of the conventional tickets, the traditional paper tickets, you should have bought and charges you on that basis. I would very much echo Barry's comment and not repeat it all.

Mark Smith: Good morning. The overall thrust of the *Williams-Shapps Plan for Rail* is entirely correct. We have train companies that are setting fares, but the revenue risk now sits with the Government. The train companies are setting fares from which they derive none of the revenue. It cannot go on like this. Creating an arm's-length body to take over setting of fares and marketing of the network is entirely sensible.

I am also delighted to see that it mentions simplification of fares, because this is vital. There are three key objectives: first, meeting the changes in working patterns in terms of seasons; secondly, rendering rail fares easy to sell through today's self-service channels, the websites, apps, ticket machines and touch-in and touch-out smartcard or contactless methods; lastly, restoring costumer confidence and public trust. That is often underrated and underestimated as an objective.

Unfortunately, what the plan for rail says about fare simplification is remarkably limited and vague. Indeed, you might argue that it is anecdotal rather than analytical. It is important to say at this stage that, although we talk about fares reform as if it is one thing, one homogenous entity it is not. It is at least two things, and possibly three.

First, it is a reform of the actual fare structure itself—the anytime, the off-peak return, the day return, the advance and so forth. Secondly, it is an overhaul of pricing—the amount of money you charge for each ticket. You might want to overhaul that to remove some of the distortions that have crept in, for example making sure that A to B plus B to C does not undercut the fare from A to C. We have those two major types of reform. You could, if you wanted, do one without the other. I think both are essential.

We have a third, which is an overhaul of multiple flows. This is where you have multiple sets of fares between the same origin and destination but with different routings. For example, there is London to Birmingham, any permitted route, which is the main one. You have another set of fares on London to Birmingham, route High Wycombe, which is defined by route. It is a cheaper, slower option. We also have London to Birmingham, route West Midlands Railway/London Northwestern Railway only, which is defined by operator. That is another set of fares, cheaper for slower trains.

If anything, looking forensically at the wording in the plan for rail, it is the third one that they seem to be going for—the wording about confusion as to whether you are on the right train company. In my view, this is the least important of the three possible types of fares reform. The disbenefit of the loss of choice in simply removing extra flows—these cheaper routes and options—actually exceeds the limited simplification benefit. I believe that the big simplifications and needs for reform are the first and second: the fare structure itself and an overhaul of pricing.

The Chair: I agree with you. I always go to Birmingham from Marylebone because it is much cheaper, and I hope that will continue. Is there not actually a further change? Is there not quite a strong move to digital, away from paper? Will that be a problem for some people who do not have phones or have problems with phones? I wondered if that was on your list, Mr Smith.

Mark Smith: Ticketing, the actual piece of evidence that says you paid your fare, can take a lot of forms. I do not think technology is a problem. Let us take the most advanced form of ticketing, which is in fact ticketless. All the Italian high-speed trains are completely ticketless. In principle, you could train a parrot to sit on your shoulder and repeat the booking reference to the conductor, not that I would recommend parrot-based ticketing. It is that simple. It does not require the passenger necessarily to have any technology. The technology is on the side of the train company.

Another way of doing it is to allow the passenger to print it out or show it on their phone, if they have that technology, but to collect it from a ticket machine if they do not. There are ways round it. It is an important distinction between ticketing and fares. A fare is the authority to travel on the railway, subject to certain terms and conditions. The price is the amount of money that you pay for the fare and the ticket is the evidence that you have paid that price for the fare.

Neil Middleton: To echo Mark's comments and yours, it is very important that we do not rely on digital as the only way, particularly stored on a smartphone, to get the best price. There are people who either choose not to use them or cannot use them. I talked to some of Railfuture's members before this. One of them has arthritic hands, so he really struggles to use a smartphone. It is very important that, although the smartphone probably becomes the best way for many of us to use it, certainly for me, it should not be the only way or the cheapest way.

You should always have a trifecta of ticketing options. You can show it on an app, show it as a PDF from your email or, if you want, physically get a ticket. You still need to keep that option for some people. It is very important that we have the full range of options for travellers.

Q2 **Lord Haselhurst:** Thank you very much indeed to our guests for their opening remarks. As a passenger, I am looking for simplicity, on behalf of myself and the whole community of travellers. I find it perplexing that there are so many anomalies and uncertainties as to whether you have the right ticket at the right price for the right train on the right day, and all that.

I use principally the line from Cambridge through to Liverpool Street. I board and alight at Audley End, which is a busy commuter station. I have found it extraordinary that when I go, on a weekly basis in normal times, when we are actually meeting physically, the fare I am charged can differ. Travelling on the same train at the same time, the ticket office takes a different price for it and I do not understand why. I do not like to argue with it. I take it because it is going on a payment card and that is it, but normally I would try to say, "I've got a senior railcard", or this, that and the other, to make it different.

On one occasion, in the days when Members could charge for their travel on a first-class basis, at certain times of the day you could be offered a first-class return ticket from Cambridge, although you were being sold it at Audley End, 15 miles south of Cambridge, for less money than they could sell you a ticket from their own station. I found that absolutely crazy.

Then you had to be fussing about whether you could come back, if you had booked a ticket for the return journey. If you miss one train by two minutes at 4.30 pm, you cannot then use that ticket to travel on the next train. In the morning, that rule is even more absurd, because there are virtually empty commuter trains going back north to Cambridge from Liverpool Street, but, no, you cannot have it at the cheaper price.

Is it possible, therefore, to have, in a simplified system, something like the Oyster card made large for the whole country? It seems to me that the difficulties at the moment are that the employees of the train company are themselves left uncertain as to the prices and so on. If you have a genuine query about it, there is a queue for them. You are being encouraged to use the machine outside, which you then find does not quite fit all the particular needs or questions you have.

You also sometimes have customers in the queue planning their journey for two weeks ahead, while other people behind them are anxious to catch the next train in 10 minutes' time and are being held up. A stored value card seems to be of the order of necessity that we should be looking for. If we can have that, if the technology is up to it, if the system can be made to work for it with the different train companies, times and ways of doing things, you would have a price deducted from your stored value ticket.

That would encourage people back on to trains, I think. As we are getting more and more new types of train and more comfortable trains, with greater capacity and all that, should we not be doing everything possible to make it simple, easy and relatively cheap for people to come on the trains more often?

Neil Middleton: The answer to all your questions has to be yes. There tends to be a bit of forgetfulness in the industry that the very complexities of the fare system are a discouragement to people to travel. They do not know how much they are going to pay. They do not know whether they are getting value for money. That generates worry and fretfulness, and they think, "I'll get in the car instead", which is absolutely not what we want.

To come back and answer your question, yes, a pay-as-you-go or tap-in, tap-out system is possible. It is promised in the review, and it already exists in some places. For instance, if I want to go to London, I can use tap-in and tap-out. I just go down to my local station, tap in, then tap out at the far end, repeat on the way back and I will get a bill emailed to me overnight. That is absolutely right. For all these sorts of local journeys, like the ones you describe, it is spot on and very important.

I never want to go near a ticket machine again. Why should I have to spend any time at a ticket machine ever? I get lots of my peers in the stakeholder community saying to me, for instance, "We should have more ticket machines because of the queues". To me, that might be the answer for tomorrow, but it is not the medium and long-term answer. The medium and long-term answer is that I should not need to use the things in the first place.

It is important, though, in terms of this stored value stuff, to remember that that is very good for the more local journey, but probably less so if you want to go from London to Edinburgh or London to Glasgow, where you want to know the price you are going to pay in advance. You do not want to suddenly discover that you have taken a very expensive journey by mistake when you could have taken a different train.

There is a good, classic example, to build on your example of discovering that you missed your train by two minutes and you have to buy a new ticket. Sometimes, you might have saved a lot of money by taking that risk. I used to go to north Wales fairly regularly to see my daughter at university. Sometimes I would see an advance ticket that was priced for me to come back at £1 less than an off-peak open return. I would think to myself, "For £1, I am prepared to buy the flexibility of coming back on any train", but that sort of thing is not always made clear to intending travellers.

There is some stuff that can be done now to make the buying process clearer and more transparent, almost like when you go to a low-cost airline and it pops up different prices. Some of it is about saying, "The cheapest way to go from A to B tomorrow at the time you have chosen is £10, but if you pay £12 you can use an anytime ticket. You can travel on any train". There is stuff to be done. The problem with the fare system is that it is so horrendous and complicated, and built up over so much time, that it is almost impossible to work out what the cheapest fare is. That is a real challenge for everybody

Barry Doe: I have spoken at great length over the last four or five years to many people in the industry and to the Rail Delivery Group, with one voice. In the future, they want a single fare structure. That solves many problems. At present, so often the difficult decision in buying a return is the conditions on when you can come back. As Lord Haselhurst said, you change your mind in the evening and suddenly find yourself in a different time band. If, however, all fares were single fares only, you would never have to bother about coming back. You could make that choice when you came back, at the appropriate fare.

That is not to say that you abolish cheap fares. It is just the opposite. They want a structure that takes today's cheapest off-peak returns and halves them, so you really are getting a very cheap single and you can mix and match. If you come back in an off-peak or super off-peak period, you pay the appropriate amount.

With respect, I do not agree with Neil on the abolition of ticket machines. I think they have an even greater future. We are perhaps looking at it a bit from a London and south-east view, which is inevitable. I am certain that electronic tickets will take over down here—I say "here", because I am in Bournemouth—rather more rapidly. If you consider parts of the country that are away from London and cross-country journeys, the ability to go into a station and buy a paper ticket from a machine, a cheap single, is very flexible. It will suit some people far more than ever having to go to a retailer—that is, the internet—to try to buy something before travel.

Neil Middleton: I was trying to be a bit provocative there. I am expressing the view that, for many journeys, it is about pay-as-you-go, and that should not require a ticket machine. You are right: it is also about inclusivity. You need to cater for everybody. It is not so much that I want to get rid of ticket machines. It is just that the solution is not lots more of them.

Mark Smith: I was going to highlight that there is an interaction between fare simplification and the easy touch-in, touch-out, pay-as-you-go ticketing technique. It is been incredibly successful on Transport for London. People like it. It is easy. You do not need to go near a ticket machine and battle with it. If you are going to implement it, you need a simple, intelligible fare structure.

The whole principle of the system is that you are debited without being told how much up front. If you are in a situation with a confusing fare structure, where you are not quite sure whether the amount you will pay could halve or double depending on whether you make a similar journey in the opposite direction within a certain timeframe, it all gets a bit complicated. It needs to be simple. Barry is right: we need to head towards a single-leg ticketing system, for both long distance and short distance. That is easy to sell on automated systems and is consistent with what is done almost everywhere on the continent.

Q3 **Lord Berkeley:** Good morning to you all. Following on from the comments from our three excellent witnesses, my question is what fare structure the passengers want. Barry alluded to the British Rail days when the prices were often fixed to compare the demand with the capacity available. You have mentioned single-leg pricing and split ticketing. There is a question of families going. There is also possibly a difference between what happens in the south-east, which Barry has alluded to, and what needs to happen in the other regions, as in Transport for the North or the Midlands. They will get a similar system there. Can you see a way in which people can get the best deal possible and the lowest fares, compatible with a simplification in places outside the south-east? I do not know who would like to start on that. Mark may have views on it.

Mark Smith: Yes, absolutely. This might sound a bit like saying what the answer is, but, yes, there should be a single-leg ticketing system. If you can imagine, your outward journey would have three columns next to it, with three choices: anytime, off-peak, advance. Those names are familiar; they do what they say on the tin. There is a choice of three. Obviously you would only see the advance fare for longer-distance trips, not for short hops. You would then make a completely separate and independent choice for the return leg and have that same choice in three columns: an anytime fare that is fully flexible, an off-peak fare that is semi-flexible, and an advance fare that is largely inflexible.

That is the way it is done in most countries in mainland Europe. It facilitates touch-in, touch-out, because you just have the peak and off-peak on the short hops. It facilitates selling on the internet, because you can see the outward and the return. It eliminates the process whereby you see a lovely advance fare on the 18.00 out of London on Friday night, then you look at your return on Sunday and find that you need to buy an off-peak because you are not sure when you are going to come back. Now you realise that you need to revisit the fare you are using on the outward, because you may as well pay £1 more and get an off-peak return. Now you need to revisit the train you are taking, because the 18.00 is the last peak train. You need to switch to the 19.00 in order to use that off-peak return.

Now we have your choice on the return not only influencing the fare on the outward but actually changing the train you take. It is no wonder that buying a ticket, even online, is like solving a quadratic equation. We need to cut through that. We need to be really ruthless in changing our fare structure for the modern world. What we have at the moment is inherited from an age when you had to go to a ticket window. It has to change.

Lord Berkeley: Barry, what about families? A lot of families I talk to say that they just cannot afford to go. It is so expensive when you have a mum, dad and two kids or something.

Barry Doe: The family railcard has been around for many years now. There is also GroupSave on most TOCs throughout the country, where you get, effectively, a one-third discount for groups of three, four or more. They have been around for many years.

I take your point that that is a fundamental problem and always has been with public transport. You can get four people into a car for more or less the price of one and it never works on public transport. Quite a few operators do kids for £1, as they call it, wherever the adult goes. I think Southern used to; I am not certain if it still does. Those sorts of things at the margins can be very attractive.

Lord Berkeley: Neil, what is your view on what the customers really want from all this?

Neil Middleton: Almost as input into what Barry and Mark are saying, they want certainty and simplicity. They want understandability. They want to feel confident that they are paying a sane price. To build on Barry’s comments on families, one of the challenges is that there is an enormous variation in prices. Going from my station to London in the peak on your own, you cannot use a railcard discount, so it is £25 to £28. If you go at the weekend with a railcard, it is around £10; you can take two children, and it is actually kids for two quid now.

In that case, suddenly, you have a vast distinction when taking your family, because of course they would have to have a child ticket and be up in the morning rush hour, versus taking them in for the weekend. It comes back to the affordability debate and explaining to people what their choices are. Some of it is almost about saying, "I am a family"—or a person, or whatever I am—"and I want to go to London". It almost says, "The cheapest way you can go to London is to go at the weekend as a family with a railcard, and it costs X". Then you build up from that.

Lord Berkeley: Is the peak going to return? If the peak is not returning, why do we have peak fares?

Neil Middleton: I do not think the peak will return in the same way it always did. It seems to me that there will be some peak traffic, because some employers will expect people to be in the office, the traditional nine to five or thereabouts. Other employers will no doubt be a bit more flexible. I do not think it will be as big and strong as it ever used to be.

It is very hard to say what portion of people will go back to the office, particularly what portion of people will go back to the office nine to five. I think we can say with certainty that it will not be 100%. My gut feeling is that it will be somewhere in the middle, but that is a wonderfully vague number. There is certainly room for manoeuvre on peak and off peak.

Mark Smith: Could I come in there on the family issue? It might be worth looking abroad and seeing what they do. The best solution for travelling with children that I have seen in mainland Europe is Deutsche Bahn and ÖBB in Austria. There is a long-standing offer of domestic long distance and international long distance. Kids under 15 go free when accompanied by an adult using the Sparpreis fare. That is brilliant. I have taken my son with me on business trips free of charge. That is great. We could usefully emulate that in this country.

The Chair: Thank you for that, Mr Smith. It would be good if you could send these examples in. I think some of the overseas examples would improve our report.

Lord Haselhurst: Ticket machines go wrong and they are quite complex for many people to use. That is why I personally believe, if it is practical, that a storage card is the sort of thing you want, like an Oyster. After all, there could be a range of values. Just as you buy a gift token for £20, you could buy one for £200, if you are generous. It ought to be workable.

Neil Middleton: It is workable and that is how it works. It is not a storage card in my case. It is different from Oyster. It is simply that I have a credit card linked to my smart card and I am post-billed. I will travel up today, for instance if I had come to you in person, and tonight I will get an email saying that my credit card has been charged X. It definitely is possible and it is very important.

It is not just about London and the south-east for this sort of feature. It is important for all metro traffic, however you define it, so for Glasgow, Edinburgh, Leeds, Manchester, Liverpool. I could keep on. Apologies for anybody whose special interest area I have not mentioned. It is important for all those areas.

Q4 **Baroness Thornhill:** This is fascinating. In order for us to make some good recommendations on fares, it is quite important that we understand the broader picture of the challenges facing the financing of railways. In particular, where are the pressure points that are going to impact on decisions about fares? I am particularly interested in the current situation and how the new model will, I hope, address those issues.

Neil Middleton: The current situation is one that is driven by an enormous shortfall in revenue, due to Covid consequences, particularly on business and home-to-work travel. Leisure travel now seems to be coming back and presumably will come back even more after next Monday.

The railways have a number of really serious challenges. The current privatisation arrangement in some cases has brought inefficiencies with costs and shared costs. That needs to be tackled and removed. There is also the question that the railway has been structured, for example, to deliver a morning peak with a very high volume of traffic paying a premium price, coming back to Lord Berkeley’s earlier observation. That raison d’être and logic for constructing and running the railway will disappear. That is a real challenge for the railway.

There are a couple of things that need to be thought about. The railway is not just about moving people who currently choose to go by rail from A to B. It is part of a much bigger challenge from things such as decarbonisation, because the railway is very good at moving people in a carbon-efficient manner. It is important in trying to deliver an integrated experience, the door-to-door journey from your home to some point where you can get a longer-distance service, and then from that point to your final destination, whether that is by bus, tram, walking or cycling. So you are linking into things such as effective cycle storage at stations and so on.

It all ties in, and it becomes a real challenge about managing the costs of the railway, getting them under control, and trying to increase traffic as much as possible. It costs the railway virtually nothing to carry one more person, typically. So the railway needs to try to avoid having empty trains. It needs to persuade people to get on them and have full trains at all times. That has been one of the big pricing drivers ever since, as Barry observed, right back in British Rail days—the desire to persuade people to travel off peak and to have full trains. I can see that on my line, where they have introduced lower prices at the weekend to tempt us all collectively out to use the trains. That is the big challenge of the railway.

We have some wonderful words in the Williams-Shapps review about the sorts of things it wants to achieve, and then in many cases it is quite light on detail. One of the key challenges comes back to how that vision that Barry described will be delivered. It is to have people close to the passenger who understand what the passenger wants, and who have the commercial freedom to go ahead, innovate and do things.

The thing that worries me about Williams-Shapps is that we could get a repeat of what we seem to have had over the last couple of years. That is a lot of micromanagement by the Department for Transport, with people who are quite remote from the decision-making making those decisions and people who are making decisions based on cost-control grounds, not on net revenue grounds.

There is a classic example. I looked through the report and it talks about more comfortable trains that are easier to work on. I go back, in my line, to the class 700 trains. These are the ones that many of you may know have an enormous reputation for ironing board seats. It seemed they came built to the lowest cost. They did not have wi-fi, so that is a discouragement to travel. They have uncomfortable seats, so that is a discouragement to travel. They are hard to work on, so that is a discouragement to travel.

We pointed out to them that there are biomedical campuses in London, such as the Francis Crick Institute right next to St Pancras. You have Cambridge. You want to encourage businesspeople to travel by train—instead of which we had a train that was built, it seemed, by cost pressures, not by the opportunity for that train to generate future revenue. How you do that is the real challenge of a lot of this.

Barry Doe: It is by no means just local trains that are poor. The Azuma on the east coast and the IETs out of Paddington are quite the most uncomfortable modern intercity trains that have existed in my lifetime. It is very difficult to encourage people back to rail when the quality is so poor.

Perhaps I could comment on the peak fares again. In my case in Bournemouth, there are five 10-car trains that leave between 5.10 am and 7.26 am, solely at anytime fares, because, in those days, all those trains would arrive in London full. One of the problems we have now is that the operator, South Western Railway, is obliged to run those trains. It cannot unilaterally say, "We won't bother with those". There have to be discussions with the ORR and whatever, and permissions granted, if we are going to reduce those trains.

On the other hand, South Western Railway tells me it is worried that, as a lot of people, particularly from Bournemouth, are taking advantage of flexi seasons and going up only two days a week, some of them are actually not going up early on a flexi season. They are going up on a day return at 7.59 am, which is the first one from Bournemouth, and they intend carrying on doing this. It is a much cheaper option, but it raises the question that suddenly you have these five 10-coach trains that hardly anybody will use; then, wham, the 0759 comes along, stacked to the doors, because everybody is driven towards that one as the first off-peak train.

There will be a lot of work needed to iron these things out. The day returns could start earlier. We might even have what some operators already have, which is an off-peak day return followed at about 10 am by a super off-peak day return, to try to encourage people to spread the load. Otherwise, inevitably, on a Monday to Friday, as soon as you announce the first off-peak train, that is the one most people want to go to for a day out. That causes problems. There is a lot of work to be done on this yet.

As Neil said, it is entirely guesswork as to what form of peak there will be in the future in London. My guess would be 30% to 40% of what it was pre Covid. It goes up the closer you get to London. In London, many people will still go in five days a week, if they live within 20 miles of London. The further out you get, the less inclined people are to get up at 4 am to catch a train at 5 am if they can work at home.

Mark Smith: The biggest problem we have at the moment, in terms of pricing people on to trains, is that we are in a situation that is designed for the franchises as they were to take revenue risk, set fares and encourage people on to trains. To be fair, that has happened since 1995, but, for very sound reasons, it is no longer possible for them to take revenue risk. Revenue risk has been taken back by the Government. So we now have train companies setting fares and quotas of advance tickets on long-distance routes, for example, with absolutely no interest in whether that gets people on. In fact, if they are incentivised for performance, passengers get in the way. We know that as railway operators. You do not want passengers if you want to run on time, and if you get your money for running on time, that is fine.

The plan for rail is absolutely right in creating a government-sponsored organisation to take back setting of fares and marketing to get people on the network. That is crucial, and it needs to happen sooner rather than later. It is also right that it should be a professional body at arm’s length from government, because we do not need the level of micromanagement that we have had from DfT and the things that it has had to get involved with.

This is absolutely the right way to go, but it needs to happen sooner rather than later, and we need to start pricing people on to trains. Simplification and fares reform is part of that. We also need to look at offers and short-term processes.

Q5 **Lord Moylan:** Thank you very much. I have found this absolutely fascinating, and I am very grateful to the witnesses. You have thrown up so many questions. Just on the rolling stock design of modern trains, you should not look simply to cost as an explanation of that. You also need to look to regulation. There is now so much regulation about every element of what goes inside a train that the designers design to the regulation and nobody really thinks very much about comfort, attractiveness or anything else like that. The role of regulation is important in understanding why we are now getting such uncomfortable and unattractive trains.

I am glad that Neil brought in this question of marginal pricing. The fact is that railways, like airlines and hotels, would always be happy to sell you the last seat or bed for a pound, because it is a pound they would not have otherwise and there is no cost to them, effectively, in carrying that person. Any discussion of simplification of fares needs to take account of marginal pricing, because that is revenue lying on the table for the railways, but it inevitably means there will be a degree of complexity.

I have a technical question; you might have an answer. Over the last 20 years, TfL has put in place what has been a slow, gradual revolution in fares and has got the cost of collection down to close to zero. Do any of you know the current cost of collection for the Network Rail system as a percentage of revenues? It is a ticketing question.

Neil Middleton**:** I do not. Unless Mark or Barry has an answer, I will try to do some research and get back to the committee on that one for you.

Lord Moylan: That would be really helpful. If you can get the cost of collection down to close to zero, that is effectively free money for the operators, or for the DfT and Treasury, since they are now taking the fares risk, without any loss of amenity to the passengers. That would be a really interesting question to know, and it would be important to emphasise it as a driver of reform, which I agree with you all is absolutely necessary.

The Government place emphasis, and certainly the Transport Minister in the Lords has placed emphasis, when discussing the finances of the railways, on the centrality of the Great British Railways five-year plan that is now going to be a feature as a result of the Williams review. The management of risk has now transferred to the Government, but the management of that risk is meant to be handled through this five-year plan. Do you think that that five-year plan will give the Department for Transport and the Treasury the confidence to step back and let Great British Railways take some risks with fares?

Neil Middleton**:** I worry that the answer is no, but the answer has to be yes. If they do not delegate the authority and the right to get on and run the railway down to professional railwaymen, such as Sir Peter Hendy, and further down the structure, and if they end up micromanaging it and approving every decision in a process-driven central organisation that does not really understand the context, it will fail. It will be an expensive business to run that will give up lots of revenue opportunities because it has not been given the authority.

The answer to your question almost has to be the other way round. How do you change it so that the DfT very clearly sets the framework for what it wants to achieve and is comfortable that people at, for instance, the ORR and Transport Focus would exercise an effective oversight function, so that it is not five years before they back a report telling it that the thing is miles off course and a disaster zone? Instead, it gets not necessarily real time, because that is probably far too ambitious, but reasonably prompt feedback that the railway is or is not on the track it has asked for, and an understanding, if it is not, as to whether that is due to more structural issues, such as changes in Covid arrangements that discourage travel, or bigger economic changes, versus the railway not having been very good at doing its job.

To answer your question, it has to be. Otherwise, if we do not shift the decision to people who are close to the customer, who can listen to them and say, "Okay, I need to change that train", and who, metaphorically speaking at least, do not have to fill in a form that gets sent up their hierarchy, rumbles through the Great British Railways hierarchy and ends up on the desk of a civil servant for him or her to hit the rubber stamp on, that will make decision-making impossibly slow and expensive. The poor old customer will think, "Actually, that train still isn't running. I'll take my car or I won't go".

The challenge is to do that, but at the same time retain the ability of the railway to be seen as a single, coherent whole to us as customers, so that, when I go on a journey from Penzance to Thurso, or whatever I want to do, it is still seen as a seamless journey; I can still buy a through ticket and all that sort of stuff; and my app information tells me about all the concession holders that will be providing my services as I trundle through the countryside and, indeed, go through different administrations once I cross the border into Scotland.

Lord Moylan: I suspect the answers from the other two might be similar, so can I put a slight spin on the question? Neil, you have been discussing the idea of a single fare being changed and having to go through a large hierarchy. Drawing on TfL experience, how important is it that Great British Railways sets out early a vision of what it wants to get to in fares and ticketing over a period, and then delivers it step by step, so that we are discussing with the department not the fare from Penzance to Thurso, but actually the structure, and then leaving the detail to come afterwards? Do you think it will be impossible to end up with a vision that everyone can agree on at an early stage? If it is possible, how urgent is it?

***Barry Doe*:** I agree that GBR should hit the ground running, as they say. The problem is, legally, that we do not know what GBR is until it exists, but nevertheless there are plenty of people around in the industry at present who know exactly what they want it to be. The RDG has told me many times exactly the type of situation it would like to be in, if some of those people were running it or in power.

Lord Moylan: They no longer have a financial interest in it. One needs to remember that the RDG is no longer driven by considerations of revenue, only by operational and other considerations. I am sorry to interrupt. One has to remember that it does not matter to them, in a sense, financially. They would like to have a nice system.

Barry Doe**:** Over the years, the number and quality of people involved in the TOCs who are, as they would have been called, fares supremos has inevitably gone down, because a lot of them ask, "Who wants to have a job as a fares supremo in a TOC when you're virtually doffing your cap to the DfT for everything you do?" You have no freedom.

A lot of those experts who really understood what they were doing have, over the years, moved to the commercial side of the RDG. The RDG still has some of the greatest fares experts in the country within it. I know the roles will be different, and it will not be the RDG as we know it now, but those are the people who have the vision and know what needs to be set up.

You have some very outstanding people in the industry who know exactly what needs to be done as well. Andrew Haines, for example, always comes to mind for me as being the top man. He has had the pedigree of coming up through the ranks on the railway. This has not happened in recent years. We have not had the management training and those sorts of schemes that used to exist. The longer we leave it, the harder it will be, but it is perfectly possible—I think it will have to be done—to set up GBR in shadow form so that, on the day that it becomes a legal entity, it can really run with what it knows it wants.

The Chair: This is absolutely fascinating, but I feel we should move on. We have about half an hour left and two or three more areas to question. If people can keep their replies really short, we can get through more areas.

Q6 **The Earl of Lytton:** My main involvement with railways is being a user of Southern Rail, which I use to get to London and therefore to attend the House of Lords. I suppose, armed with my senior railcard, I am one of the typical lowlife gamers of the system who buy a single peak ticket to somewhere just within zone 6 and then a travelcard for the rest of the day on a senior railcard. That seems to work very well.

I am very pleased that all three of you have been very upbeat in your approach to this, because there has been a great tendency to dismiss it as just another deckchairs on the Titanic operation. This question is about the benefits of competition in selling tickets. I suppose one might ask where the competition is in that context and how the tickets will be priced for open access operators.

I have in my mind what Mark Smith said earlier: there is no interest in performance at the moment, and selling fares and marketing by a new entity, GBR, should be able to focus minds, but there still seems to be one focal point for fixing tickets. I know there are lots of warm words about it being customer-focused and that sort of thing in the Williams-Shapps plan. Perhaps Mark Smith could comment on that.

Mark Smith**:** Open access operators will continue to exist. They will set fares for themselves, in competition with other train operators and with other modes. It is worth saying that studies have shown that rail-on-rail competition is much more effective at controlling prices than competition between rail and other modes. I am thinking of a NERA report that I saw when I was at DfT in the early 2000s. In Italy, rail-on-rail competition on high speed has knocked fares down by 20% to 25%. So open access operators will continue and will set their own fares.

The third-party retailers, such as Trainline, all sell the same tickets, at the same prices, from the same database. It is not like you have to go to different operators and they sell different products. They all sell the same. These third-party retailers extend the distribution reach of the rail industry. They use different software that they develop in order to be particularly customer friendly. They may have better systems for selling; you may prefer those.

It is worth considering the experience in France, going back quite a few years now. SNCF French railways did not want anyone connecting to its fare system. This was at a time when three young entrepreneurs thought they could sell tickets better than SNCF and wanted to connect. SNCF believed that anyone selling tickets for its services was in competition with them. These entrepreneurs had to use a court case as a lever to get permission to connect; the courts had to do it. It has taken several years for SNCF to realise that someone who sells tickets for your trains, gives you extra revenue and puts extra bums on your seats is not your enemy but your friend. Somebody competing with you gets rolling stock, runs a train and takes your passengers away.

This process has almost gone through all the TOCs. The Germans and Austrians have realised it now and want people to connect to their system. They want third-party retailers to connect, in order to expand their reach. Others, such as the Hungarians, still will not let anyone touch their system because they think it is competing with them. We need to learn those lessons and not go through the same process, where history repeats itself.

Third-party retailers are a good thing. They give people a choice of places to buy their ticket. As anyone who has ever tried to use the Spanish railway system will tell you, having a different way of getting those tickets is a very good idea, given the way the Renfe system works. Third-party retailers will continue and need to be encouraged, not discouraged.

Barry Doe**:** It is rather perverse in this country that the opposite applies. If you go to National Rail, as a lot of people would initially, to find out prices, it is not allowed to sell tickets and passes you on to a TOC. Williams says that GBR will be able to sell tickets centrally. It is good that people can go to one source. The only thing I would add to Mark's comments is that it is all very well pointing to the success of Trainline, but it is rather a mystery why people use Trainline when it charges more for the rail ticket than anybody else. If you go to your local TOC, you get it at station prices. If you go to Trainline, it adds a fee. I never understand why people want to pay extra for a ticket.

Lord Moylan: I agree. I have never used it.

***Neil Middleton*:** This is a classic example. My daughter came to visit me the other day. She used the Trainline app and it automatically sold her a split ticket, which the National Rail system would not have done. Therefore, it was a seamless, pain-free, frictionless experience for her. The distinct plus of independent resellers is that they will tackle friction in the ticket-selling process. That, therefore, is a good thing.

Q7 **Lord Carrington of Fulham:** This is an extraordinarily complex area. I understand that the Government and the Williams-Shapps report are proposing that fares will be set centrally. If that is correct and that is what they actually do, it will go against what Barry Doe was saying about the fares from Bournemouth having a requirement for flexibility, with the local train operator being able to decide where the load is on particular trains and adjust fares accordingly.

Is this really going to work or are we going back to a centralised fares system with little add-ons at the edges, which may or may not make it more convenient? The whole pricing will be structured based on what Treasury subsidy we are prepared to give to the trains.

***Barry Doe*:** I did not perhaps quite make that clear. South Western Railway would like to be able to do the thing I suggested, but currently it is constrained and cannot. Setting centrally would enable correct decisions to be taken all over the country because it will free up the local operator. The operator will no longer be constrained to set fares that, in fact, are indexed back to 1995. That is the way our capping works.

SWR has some cases of fares it wanted to raise, because they were incorrectly priced artificially low at the end of BR days. but it was actually told by the DfT, "You cannot raise these as you wish because they're capped fares going back to 1995. You've put them up by whatever we allow each year, but you can't put them up to correct errors". That is a nonsense. The freedom for the operator and GBR to set centrally and get rid of anomalies will be a major bonus.

Lord Carrington of Fulham: This is what I did not understand. If they are setting it centrally, are they really going to take account of the particular circumstances in Bournemouth, or are they going to look globally across the country, if you like, to some sort of package that fits everybody and therefore satisfies nobody?

***Mark Smith*:** The overriding need is for whoever takes revenue risk to do the fare setting. That is crucial. You cannot give fare setting to somebody with no interest in the revenue, so it has to be done by GBR. It could outsource that to different regions of GBR, of course. You could have a pricing manager for the Birmingham area, sitting in an office in Birmingham and being very close to the train operator.

The pricing managers will need the same information about train loadings that the current pricing managers within train companies get. I do not think that will change, but it is crucial that whoever takes revenue risk, in this case the Government, DfT and GBR, needs to set the fares. They will need to take account of all those things.

***Neil Middleton*:** Just to echo Mark and Barry's comments, there needs to be a central structure, but with lots of local delegation and local decisions. Barry talks about 7.59 am for off-peak. We would love that where I live, because the off-peak is 9.26 am. There are good reasons why they are different and you do not want both of us to end up at 8.45 am, on some single national rule.

Lord Carrington of Fulham: Can I come back on the Treasury subsidy to the railways? If it is being set centrally to come within an envelope set by the Treasury as to what the railways can have as a loss, local flexibility to set fares will be constrained by the overall need to get a certain level of fare revenue in over the whole railway system. That will effectively come back to the Treasury dictating the flexibility they have, will it not?

***Neil Middleton*:** It will, but this is the classic conundrum. If you have the capacity on your train, do you want to have three people paying half the price or one person paying the full price? If you have three people paying half price, your revenue is greater than if you have one person paying more. Managing this trade-off is the big conundrum and challenge, as well as the trade-offs you have to make in terms of the cost to the railway and the cost of the peaks. It is about getting that balance right.

The worry is that, because people focus on how much money they make out of one person, they will fail to think, "I could be happier with having made more money because I got some money off many more people". That is the big challenge that is out there.

That is what everybody forgets about the railway. They think, "How do I gouge the mandatory traveller?" That is the person who has to take the train, such as us going to this meeting in a year's time, when it is in person. I guess we will just pay what it costs, whereas, by persuading all of us to come up to the London for the day at a quieter time, that is marginal revenue that the railway can either take or not, as it wishes. I am sure I speak for Barry and Mark in saying that we very much hope it will take it. That is the big challenge.

Q8 **Lord Stunell:** This has been very interesting. I am a user of the west coast main line and some of the local services in Greater Manchester. Flexible season tickets seem to be the new gimmick or the new thing on the street, reacting to Covid and presumed changing future work patterns. They have been criticised and we have had some possible remedies outlined to us.

What is the underlying logic of there being season tickets anyway, as far as the railway companies are concerned, or GBR is concerned in the future? Is it to maintain trade or to have advance numbers known? Given whatever that logic is, is there scope for changing the pattern of season ticket provision so that the consumer gets a better deal?

***Barry Doe*:** I do not think, on longer-distance journeys, the consumer could ever get a better deal. Season tickets are virtually a gift; that is the problem. In many places, a return from A to B might be X, and a weekly season will be 50% more. If you travel two days a week, a weekly season pays. It would be a very foolhardy rail industry that decided to do away with weekly seasons, because no one will pay five journeys a week up to town. So it is a balance that has existed for many years, with a huge taper on season tickets.

***Mark Smith*:** I regard flexible season tickets as a sticking plaster overlaid on the existing structure. They sit between daily tickets and weekly seasons. When I say that, from Haddenham to London, a weekly is 2.5 times the daily, but from Tring to London it is 4.3 times the daily, you can see that that space varies enormously across the network. There is no fixed relationship between dailies and weeklies.

That means that the new season ticket varies enormously in value for money. In some places, it is hardly worth having; in other places, it can be useful if you travel two days a week. The key flaw is that you need to decide up front to predict exactly how many days you are going to be travelling to decide between products. Any long-term solution has to do away with that necessity for prediction.

Seasons are the way they are because they have always been that way. I do not think there is necessarily a logic to them. In the future, we could have a system where you start on daily rates, using an app, an account or whatever. You then get a discount for multiple journeys and perhaps this is capped at a weekly or monthly season rate, in the same way that TfL successfully caps one-off trips at the travelcard rate.

We need to regard this flexible season ticket as a stopgap, something temporary, a quick win, and a bigger win in some areas than others, but we need to look again at this issue of changed working patterns.

***Neil Middleton*:** I would agree with that, but that sticking plaster needs a few more sticking plasters applied to it, to keep it going until the more fundamental reform can happen. As Mark says, you really have to be confident you are going to go to the office two days a week for four weeks, which for some people will be a real challenge. Simple things, such as changing it from eight in 28 days to eight in 31 days, would give people a bit more flexibility and confidence that, if one day over the next four weeks they are not going in, they can use it the week after.

There are simple things that can be done to the flexi season, plasters put on the plaster, to make it a bit more useable until the more fundamental fare reforms we have talked about come into play. There are some small changes that could be made to those.

***Barry Doe*:** It is absolutely amazing that TfL would not co-operate. Think of the numbers of people who go in every day, or whenever, and they immediately want their travelcard built in, but they cannot do that with the flexi season. That will cause huge complications with people who now have to predict whether they should buy a day travelcard when they arrive in London or use their contactless to pay for odd journeys. If they are not careful, they will all end up paying more than if they had bought an ordinary season. Sadly, that is not the rail industry's fault. It was offered to TfL, which refused to join.

Neil Middleton**:** I agree. Certainly, another extra that would be very useful is to make it a travelcard. The flexi season makes life more difficult for commuters because they have more choices. That is the exact opposite of the big vibe coming out of Williams-Shapps about simplicity. The first step is to say, "Let's make it a bit more complicated. Let's make people think a bit more about their journey and have to have more tickets. Hey, that's a win". Of course, it is not a win.

Having said that, to be fair, it was a quick delivery and it is important to have got something out now. It is better to have something now than something better in the future. But what we need is both.

Lord Stunell: Looking further ahead, would something nearer to a carnet system be better, where you just buy 10 journeys at some discount and you spend them when you spend them?

Neil Middleton**:** Yes, together with the capping that Mark outlined, which works on TfL. Effectively, you buy a carnet, you keep using it and, eventually, you get to the point that you have made enough journeys in the day or the week and it stops charging you. That same principle can apply for long-distance journeys. I will write to the committee with a few more details, possibly having pinged Mark and Barry offline, to see whether we can come up with a common view for you—or whether you get three different views.

The Chair: It would be good to have any views and certainly a follow-up would be appreciated.

Q9 **Lord Best:** I have a couple of supplementaries on this excellent discussion. First, should it be an obligation on those selling tickets to offer the best deal? Energy companies are now required to tell the consumer what the best tariff is. If I go to purchase my ticket, whether online or at the counter, should it be an obligation to tell me, when I give you the details of what I want to do? We are not all as clever as Lord Lytton, who has a wonderful system of coming into London on two different tickets. I am amazed. Should there be an obligation?

Secondly, let us be controversial here. Is the senior railcard at age 60 still an appropriate figure? The National Trust, English Heritage and others now give no concessions to senior citizens because they are big users. They have abandoned it altogether. For your TV licence, it is now 75 and then it will be means-tested. We in the House of Lords regard people aged 60 as young. Should we now be thinking in terms of 75 and getting a bit more revenue in here? This will be really popular with all my colleagues.

***Mark Smith*: The obligation of the ticket office is not to sell you the cheapest ticket, but to sell you the ticket that is most suitable for your needs, which might not be the cheapest. It might be a fraction more but give you a whole lot more value. That is the current obligation.

It applies to the end-to-end journey. If you are asking for London-Edinburgh, the obligation is to find you a London-Edinburgh fare. There is no obligation, which I think you are hinting at, to find you a London-Peterborough fare, plus a Peterborough-York fare, plus a York-Berwick fare, plus a Berwick-Edinburgh fare that happens to be slightly cheaper. That is where the obligation ends. That would be quite difficult to do, although, with modern technology, slightly easier than it was back in my British Rail days.

***Neil Middleton*:** The senior railcard came in as a commercial decision to persuade us collectively to travel more. For instance, that is why, certainly in London and the south-east, it is not valid in the morning peak, because they did not want to give up all the revenue for any of us who were still going to work, or had to go into town very early, by giving us a cheaper fare. It is not valid in the peak, and that is very much a commercial pricing decision.

The different question is why people between 30 and 60 are victimised. If you are under 30 or over 60, you can get a railcard and have a third off. Why are 30 to 60 year-olds penalised? They are the only people, unless they fall into the various special interest groups, such as Armed Forces veterans, who cannot get a railcard and have to pay the full price. This is all stuff that needs to be chucked into the pot and looked at in terms of pricing.

***Barry Doe*:** We need a national railcard. Again, the RDG was proposing this some years ago, but it got turned down by the Government. They did not like the idea and thought it was a distraction. In other words, you have a national railcard available to anybody. It has to be dearer than a senior railcard because it will be used by businesspeople. That is the inevitability of it. Mark will no doubt know a lot about European countries, many of which I believe have railcards available to all or, indeed, fares that you can simply buy that allow you to travel on any train for a year anyway.

***Mark Smith*:** They do indeed, but I have no idea why they do commercially, and I do not think they are under quite as much commercial pressure. The point of a railcard, as it is used in the UK, is to give a lower fare to a specific group with a higher elasticity of demand—young people, seniors and so forth. If you give a card to everyone, there is no point. If you are going to give everyone a card, why not just lower the fare? The card acts as a barrier to entry. You are actually giving the discount to people who are already travelling with you and not to the car user who might be tempted.

I am in favour not of a national railcard, although of course we would all like one for ourselves, because we like cheaper fares, but of pricing people on using fares without the complexity of a two-part tariff, where we have to buy one thing and then buy another to get an affordable price. I do not think national railcards are quite the good idea that we see them as.

In fact, in Switzerland, I argue that the Swiss railways think of a fare, double it, then make 95% of the population buy a card to reduce it to the number they first thought of, which leaves travellers such as myself going to Switzerland and wanting one ticket facing a very high fare.

***Neil Middleton*:** To come back on one point of clarification, in the south-east, you can buy the network railcard, which is available to everybody. That is another classic example of differential pricing, because it is valid from 10 am, so that you typically cannot take the first off-peak train. To us Barry's example, it is not valid on the 0759 from Bournemouth. In that case, it probably would never make sense for somebody going into town for work, because they could not get there until lunchtime.

The Chair: I will move on to our last area, which is the overseas area. I will ask Lord Grocott to lead on that, please.

Q10 **Lord Grocott:** Thanks very much indeed for the contributions we have heard so far. This is about examples from overseas, which follows on quite neatly from some of the comments that Mark has made. We have heard a fair amount about it as far as ticketing and fares are concerned, but I wonder whether I could ask it more in relation to the financial viability of rail and what we can learn from abroad in relation to that.

One thing has puzzled me for a very long time, which maybe Mark can give me an answer to. If there is one country in Europe where you simply would not want to build railways and operate trains, I imagine it is probably Switzerland. The Alps is not a great area in which to construct railways and run trains, but they seem to manage with phenomenal efficiency, as far as I can take it, and at great convenience to passengers. They seem to be able to provide a rail service and a station at pretty well every village in Switzerland, as far as I can make out.

I just do not understand how, when we have been closing railways all over the place, they manage to keep them open and run them efficiently, despite having uncomfortable things such as huge tunnels, viaducts, presumably expensive operations and all the rest of it. Any light you could throw on that would be very interesting.

***Mark Smith*:** The Swiss certainly value their transport system and put a lot of money into it. They occasionally have referenda to decide on new bits of infrastructure or a new timetable system that they are going to bring in across Switzerland. It is not always so rosy, because branch lines have suffered in all countries, not just Britain, since the growth of car ownership. Plenty of French ones have closed, some German ones have closed and so forth.

Long-distance routes are pretty much priced commercially in competition with other forms of transport. Short-distance commuter-style routes are generally subsidised. We all know that it is so much cheaper to buy a commuter fare in other countries. It is pretty much about the decision you make as to what proportion will be paid by the taxpayer and what by the customer.

Other countries have traditionally taken a higher-subsidy, lower-fare approach, and in Britain Governments of any persuasion have traditionally taken the lower-subsidy, higher-fare approach. It is almost as if it was as much cultural as political. Unfortunately, there is no right answer to this. You pays your money and takes your choice there. It is a question of what sort of world you want to live in.

Lord Grocott: Are you able to give a written answer on this balance between fares and taxpayer and maybe a table with a comparison between a number of European countries? Any information on this front would be quite interesting.

***Mark Smith*:** That would be quite difficult to dig out. I certainly do not immediately know of any consistent source for that sort of information. It might be that there is something centrally held by the EU.

***Neil Middleton*:** I would echo that. I would not want to promise that either, but we will certainly promise to have a look.

Lord Grocott: Thanks very much. That is very helpful.

Baroness Cohen of Pimlico: I was very impressed by the example of Deutsche Bahn, where you can put the whole family on. It seems to be a real contribution to moving more people on to rail. Are there more examples like that?

***Mark Smith*:** I am just thinking through the various approaches. The same offer is followed by ÖBB in Austria. It is not just the Germans. They are two very similar offers. Most countries have a family railcard. There is a family railcard in Italy, and Spain has its numerous family discounts. The German and Austrian approaches are the two simplest. They do not require the purchase of a card, and are both long-standing and widespread offers. They are not short-term promotions or restricted to only certain services or routes.

Baroness Cohen of Pimlico: I was brooding about how you get people out of their cars, and that seemed to be a really good example.

***Mark Smith*:** Yes, definitely.

Baroness Cohen of Pimlico: I am glad to know that there are others. Regarding financial viability of rail, is anybody else more financially viable than we are?

***Neil Middleton*:** No, not that I am aware of, if we are thinking about the general purpose railway we have here, as opposed to a very specific mining railway or something of that nature. I cannot think of one off the top of my head. It is worth noting of course that, even in Britain, there are vast changes in viability, with some lines running effectively commercially and many others requiring heavy subsidy.

Lord Grocott: Overall, is it not common knowledge now that the public subsidy to rail in Britain is far higher since privatisation than it was when the railways were publicly owned? I think I am right in saying that.

Perhaps I am going back to the same question, but I just wonder about the balance between the amounts of subsidy that Governments give their rail networks in different countries in Europe. What is the biggest, what is the smallest and where are we on the table? Is that information available?

Neil Middleton**:** I am afraid I am not going to attempt to answer that question in real time, but we will seek to come back to you with either the answer, "Sorry, it's proved impossible", or some information for your good selves.

Q11 **The Chair:** Thank you, that would be extremely helpful. I have one follow-up question that I would like to ask the panel, which is about technology. Do we believe that Great British Railways can be successful with a huge IT project, which might be needed for the new fare system? One thinks of other government IT projects that have not been entirely successful. Is that possible, or will they need to outsource it, take over Trainline or some such thing? I would be interested to know whether anyone has thought about this.

Barry Doe**:** The current fares system, which has to be managed through a central database so that, wherever you buy a ticket, in whatever part of the country, you can get it anywhere, is very complicated and works well. We might get the occasional blip, but generally, if you are in Scotland and you want to reserve a seat in Cornwall, it works quickly.

I have every confidence that the central system is working well now. I take your point that the requirement in the future may increase a great deal, but I have every confidence that the rail industry centrally could manage that.

Mark Smith**:** We have a lot of expertise within RDG at the moment, because it operates these huge systems and has replaced various systems over the last few years. This is not a new thing. Compared with the other two major hurdles facing anyone trying to reform fares, namely the publicity media element and the risk averseness of the Treasury, I do not think that the IT side will be a particular showstopper.

Neil Middleton**:** I would agree with that. One thing to remember is that we have a horrendously complicated system at the moment that, from the point of view of systems, works and ticks along quite nicely. We are actually looking to make it simpler and not more complicated. We already have a national system. Even though there is a lot of talk of Great British Railways being a single national vision, you can broadly buy any ticket from any TOC already. I do not need to go to TOC X to buy a ticket on its services; I can buy it from my local TOC. I do not have to set up a new account or anything like that. And I can then go to a third TOC's ticket machine and collect my paper ticket, if that is what I am using.

The Chair: Do you think the innovation for the future could come in through that system as well? Barry talked about British Rail being very good at this, which I think surprised and delighted us all.

***Neil Middleton*:** I think so. As Mark says, the big challenge is a combination of risk aversion and almost a scaredness to have a bit less revenue but from many more people, and managing the winners and losers to date. If there any form of fare rationalisation and simplification, there are going to be some people who pay more.

There is a classic example in flexi seasons. I pay slightly less for a flexi season per day than with the previous system, but the people from the next station in, St Albans, are paying slightly more.

Q12 **Lord Berkeley:** Can we go back to something that was mentioned very briefly, which was the role of open-access operators and the fares they could charge? It is not quite clear to me who will allow which operators to operate where, apart from the ones that are doing it at the moment. I think we all agree that the open-access operators have provided some very good services, and I know this is not part of this inquiry, but what charges would they pay? Will they be free to fix their own fares?

You then have a situation where GBR will be in competition with them and will fix the GBR fares, but will also decide whether they are allowed to operate. Do any of you have a view on the benefits of open-access operators and how they could be achieved?

***Mark Smith*:** As things stand, the first benefit is that, to get approval, you have to find a particular niche that the rest of the network is not tackling, such as direct trains from Sunderland to London, or from Bradford to London. In principle, competition between trains on the network should improve standards and keep fares down. That has been the experience in Italy, for example.

In terms of fares, we have a structure where the open-access operators are obliged to accept inter-available fares set by the main operators. For example, Hull Trains will accept a Doncaster-London any permitted route ticket that has been set by LNER. That puts some constraint on open-access operators. They have to accept those tickets, but they are totally free to set tickets as well as those—their own advance fares and, for example, their own Hull-Trains-only Doncaster-London off-peak fare. That is entirely up to them. As I understand it, GBR will not have any say in that and I do not think it needs to.

***Neil Middleton*:** The decision on future operators is, I believe, for the Office of Rail and Road rather than for GBR. A general message is coming out that it would be increasingly difficult to become a new open-access operator, because, as you move towards an integrated national railway, they become a bit of a fly in the ointment, although a good and pleasant fly—perhaps a bumble bee, so it is good stuff for the pollen, plants and honey, rather than a fly.

***Barry Doe*:** I was told by various sources that the most recent submission, which was between London and Cardiff, was turned down because the DfT did not like the idea that it was going to use high-quality rolling stock and would be so successful that it would extract too much revenue from Great Western Railway. That does not seem to be a justifiable criterion for moving ahead in the future—saying "You're going to be too good, we can't allow that".

Lord Berkeley: That is exactly the problem I fear. It could also apply to the services that Barry described between Bournemouth and London in the morning. They cut some of the trains because there were no passengers. An open-access operator comes along and could provide a better service. It is a challenge that we all have to face up to and watch in the future.

The Chair: Thank you, Lord Berkeley, for raising that. If people have further thoughts on how you get innovation, I would be very interested in them. We are out of time, so I must draw this to a close and thank our witnesses for a really interesting session. You also kindly promised us some follow-up, for example on overseas. We had a good run at that, but I am sure there is more that we could put in our report. You were going to come back to us on the cost of collection compared with Transport for London, and on the flexible fares that have come in recently.

I would like to thank you all very much indeed. I look forward to seeing colleagues in our follow-up session and to reading our experts' observations on this important policy change as it develops. Thank you very much indeed.