railfuture

Radical Railcard Reform

railfuture

Introduction

I want to convince you that there is a huge un-tapped market for rail leisure travel, but that the current railcard structure is a terrible way to incentivise this market. Authoritative national statistics from NTS (national travel survey) is the primary data supporting the analysis.

The railway currently has an extremely transactional relationship with its customers, selling individual tickets for journeys. While the industry has a fairly good idea how the population en-mass flows from place to place, it has a poor understanding of rail usage at the individual level making it much more difficult to provide personally targeted promotions and offers to up-sell existing customers.

Up-selling an existing customer is far easier than recruiting a new customer, the degree to which it is easier varies by approach and sector, but the literature regularly reports ratios from 5x – 25x. (e.g. Reinartz & Kumar (2005), *Journal of Marketing)*

A micro example of this transactional nature is split ticketing. If I split my journey into three parts, as far as the railway system back end is concerned these are three completely separate journeys. As a customer this means I need to enter three codes into a ticket machine to collect my ticket, taking more of my time and causing a longer queue.

When it comes to estimating journey origins and destinations to understand customer behaviour – the railway then has to have a complex estimating process to what proportion of individual tickets sold between various locations were actually a single journey that has been split. I.e. the original journey was split at the selling stage, then has to be glued back together afterwards to estimate passengers actual origins and destinations.

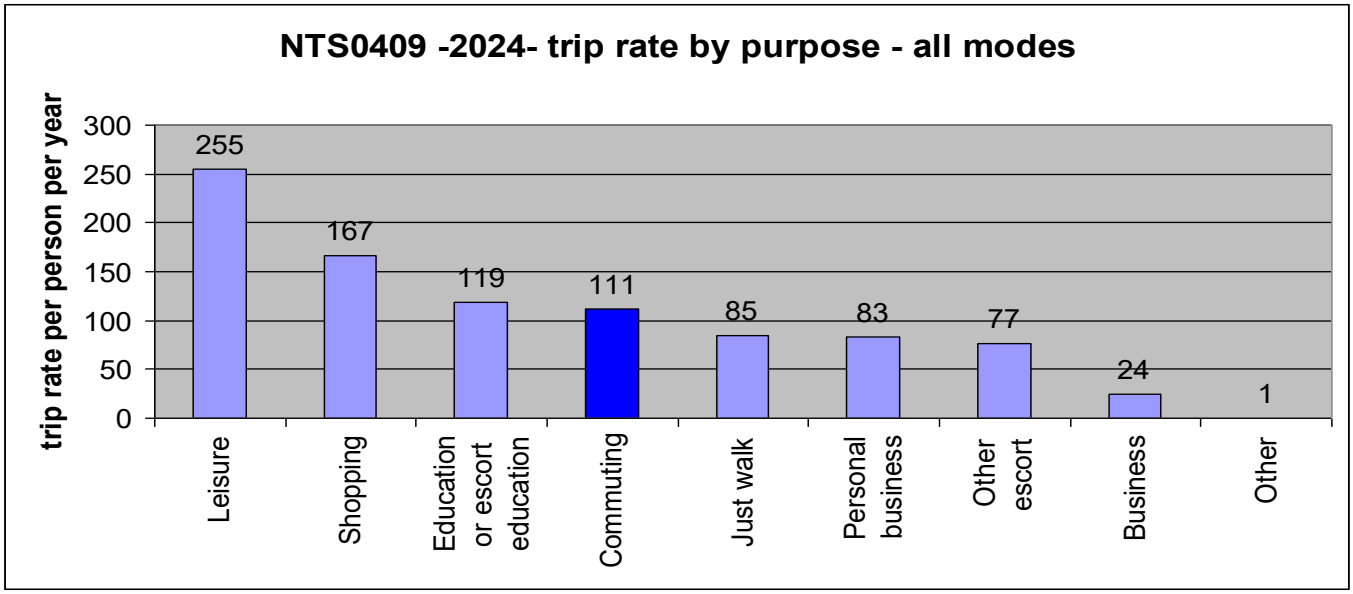
After laying out '*the problem*' we then present an alternative that provides a better '*on-ramp*' to convert the large number of infrequent rail leisure travellers into slightly more frequent rail leisure travellers, which, because they are a large part of the population, would represent a significant increase in rail travel.

It also converts the process of selling tickets from a series of isolated individual transactions into a life-long ongoing customer relationship so that travel patterns can be understood at the individual level, providing large personalised up-selling opportunities for this large cohort of low frequency rail leisure travellers.

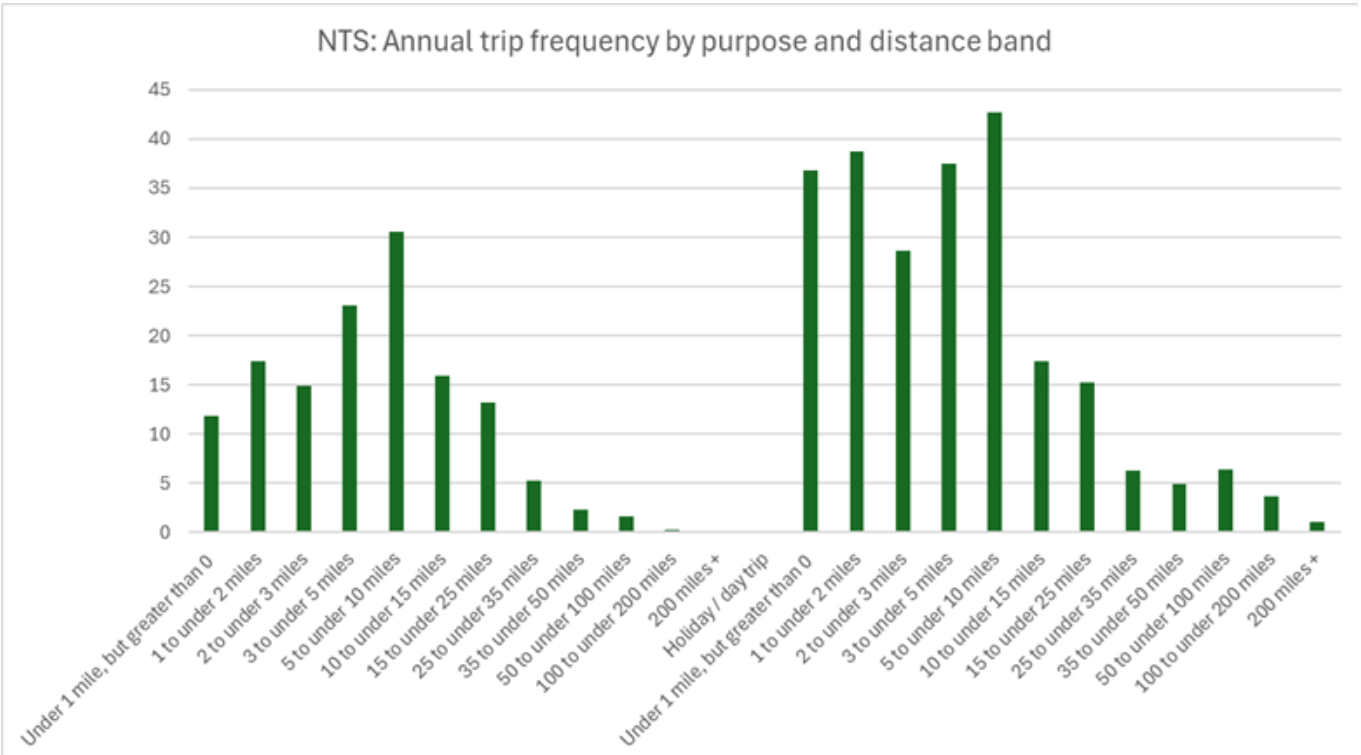
While it would have been conceivable to suggest this under an environment of fractured TOCs (train operating companies), it becomes far more achievable under the remit of a single unified operator, so the proposed solution can be presented as a benefit only possible because of nationalisation.

Transport demand – what purposes do people travel for ?

When we think about transport, especially public transport, much of our supply-side thinking revolves around commuting, but there are more than twice as many leisure trips as commuting trips.



Leisure / holiday / day trips are not all short trips, while there are a lot of short leisure trips, there are a very healthy number of longer trips, especially in the 50-100 mile length range.

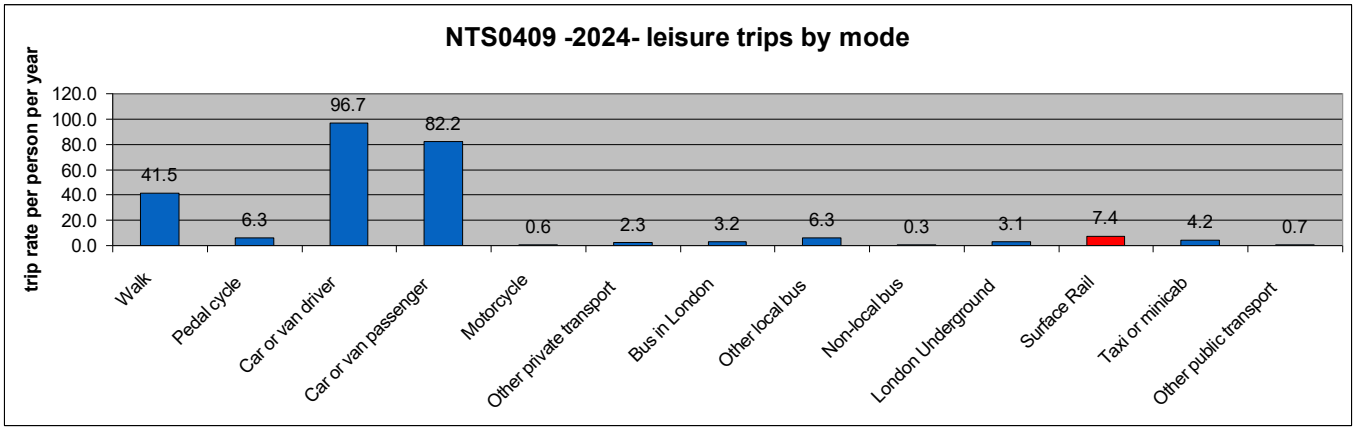


Commuting Leisure + holiday / day trip

(all transport modes including short walks)

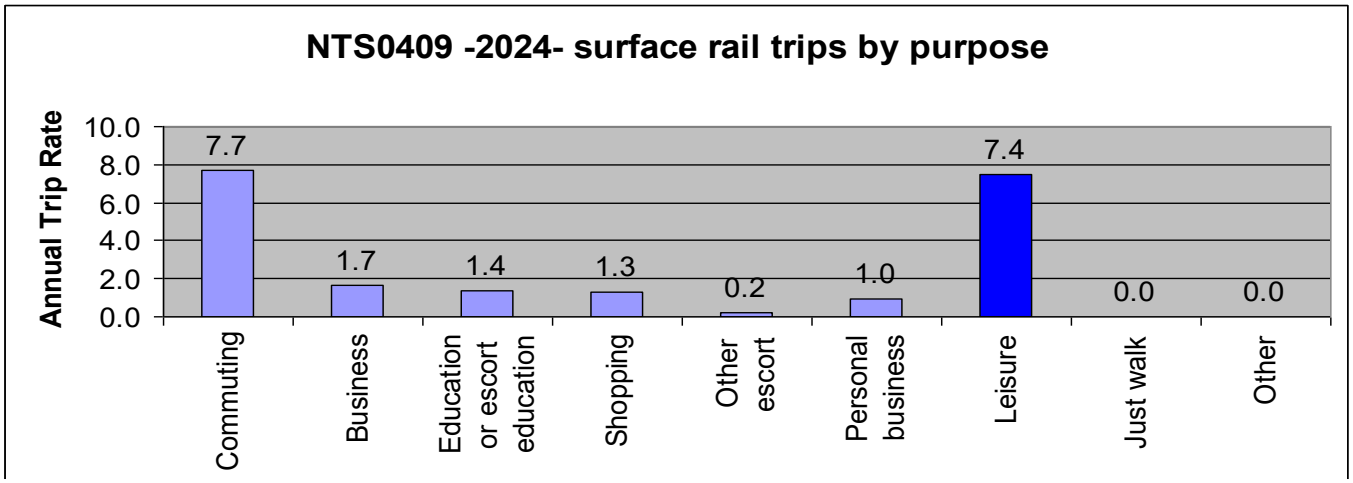
Leisure travel demand – what mode do people use ?

Rail currently only makes up only a small proportion of leisure trips, so it would only require a small degree of modal shift away from car to cause a doubling in the number of rail leisure trips.

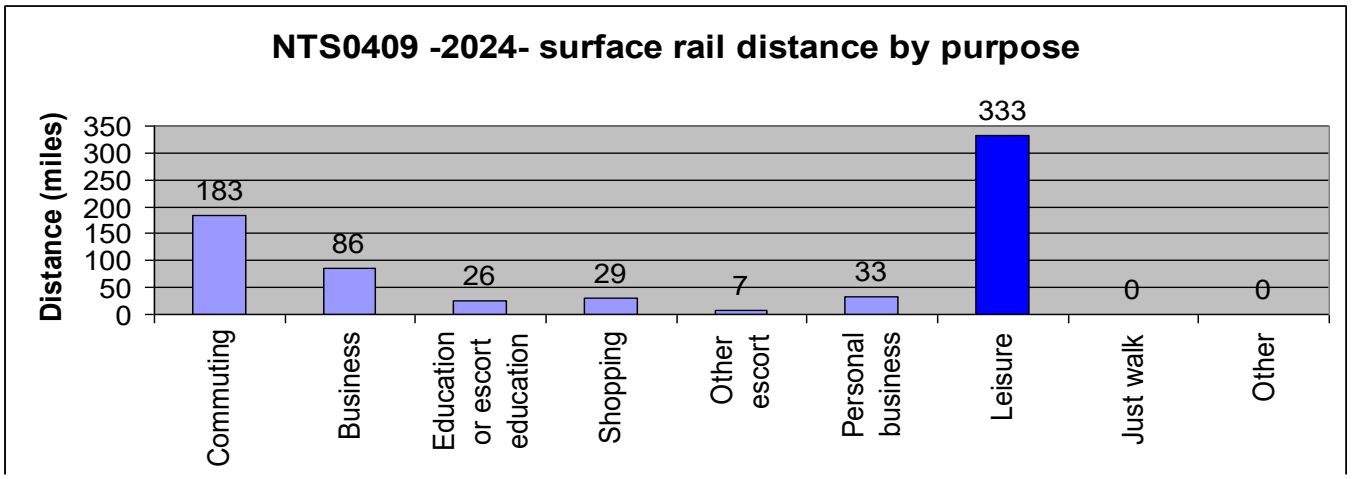


While there are other parts of the NTS dataset that can illustrate this more clearly, the large number of car passengers shows that leisure trips are far more likely than other trip purposes to be taken in a group rather than alone.

On average across the entire population, there are approximately the same number of rail commuting trips as leisure trips.



But in terms of distance travelled, population average annual rail leisure distance is 50% more than annual average commute distance., and larger than commuting and business travel combined.



This makes the mean rail leisure trip distance 44.7 miles.

In terms of modal competition, there is a growing body of evidence about the behavioural changes from increased EV adoption. A new paper from the Netherlands using that countries national travel survey found that EV drivers do 31% more car distance than non EV drivers.
https://www.cpb.nl/en/publication/impact-electric-vehicle-adoption-travel-mode-choices
A good methodology was employed to identify comparable groups, using people who subsequently went onto buy an EV in the next 12 months as the ICE users, comparing that subset of ICE users to current BEV users, although it can be argued that the previous wave of BEV adopters are more likely to be higher mileage users. The nature of the study would make it practical for it to be repeated in future years to determine if the same trend continues.

This increased usage was to a very considerable degree in the area of discretionary travel. There was little change to commuting distances, the change mainly arose from urban dwellers making more long distance trips outside of peak times i.e. leisure purposes.

The sampled groups were already heavy car users making little use of public transport, so while this study did not observe a reduction in public transport usage, the baseline public transport usage of the group was too low to draw a strong conclusion. Studies from Norway have found a much larger effect in EV users reducing their public transport usage, although this was coupled with greater incentives such as free parking in cities for EVs.

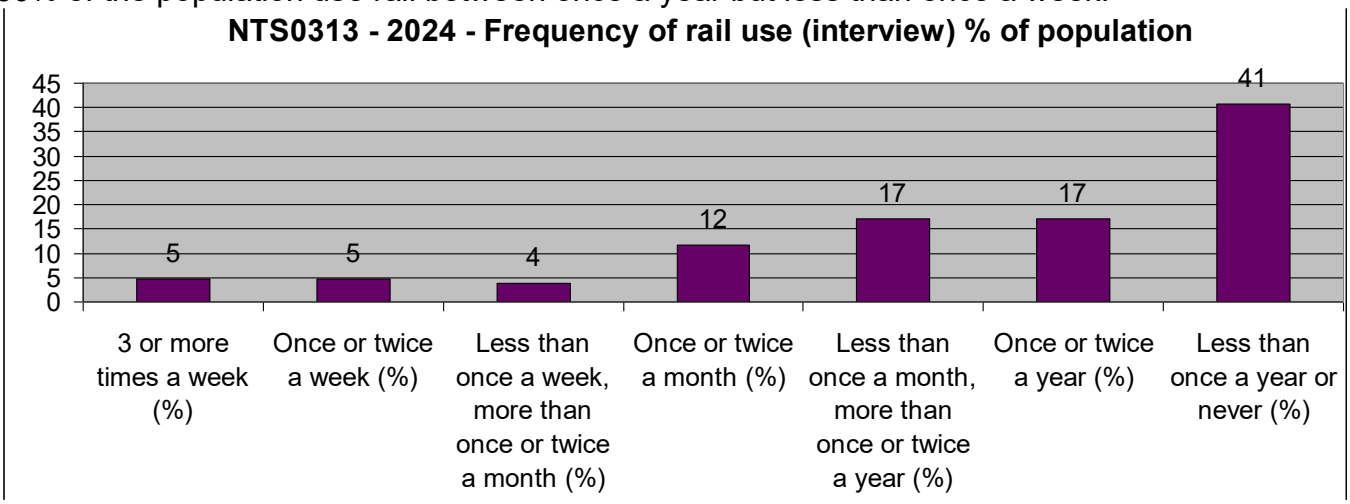
The takeaway risk is that the low modal share of rail means a small shift away from car would result in a large increase in rail leisure usage, but the converse is also true, a small modal shift back to car would result in a large drop in rail leisure mileage, the rail industry needs to get its house in order and offer a good product to leisure customers to maintain and grow their patronage in a landscape of increased EV adoption and the associated reduction in marginal costs for those drivers. Road congestion is rail’s friend.

Individual travel behaviour

Our statistics, data collected, and analysis are often focused on understanding the overall behaviour of the entire population, but poor at understanding what individuals do.

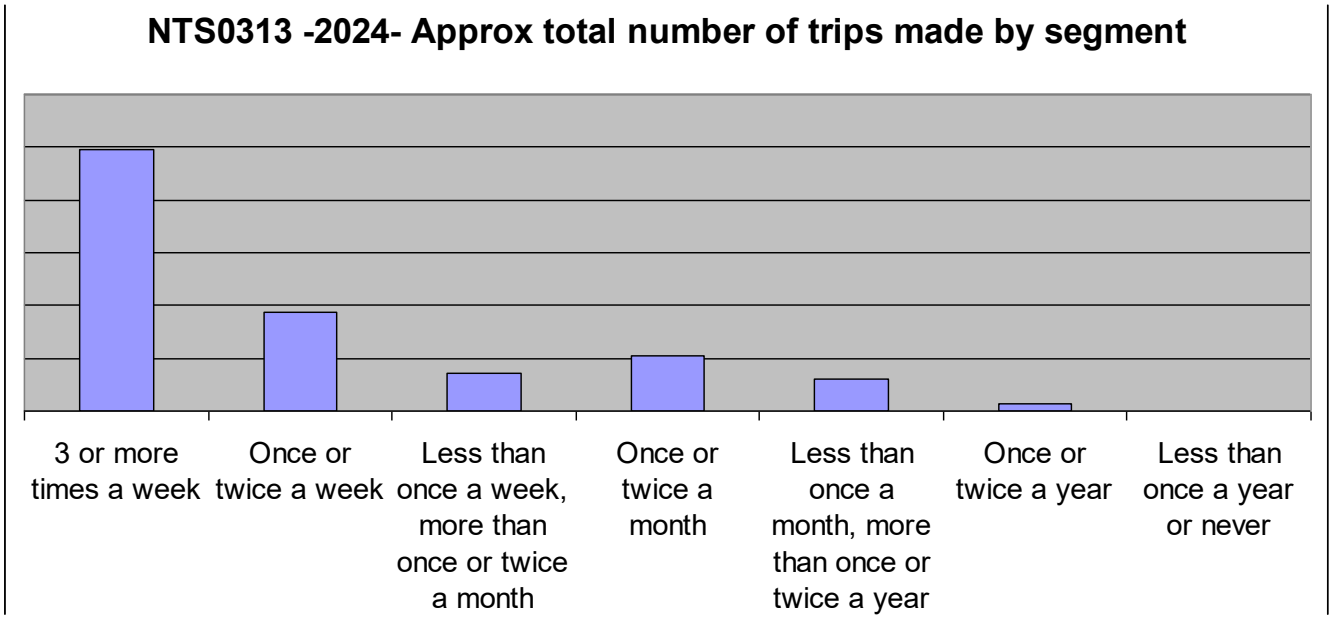
Understanding individuals is critical to good marketing and sales.

If we look at the frequency of rail use by individuals, we see that 40% of people say they basically don't use rail at all.
10% of the population say they use rail once a week or more.
50% of the population use rail between once a year but less than once a week.



There is considerable regional variation in the percentage of weekly rail users. In London + SE it is a much larger percentage, and outside London + SE a significantly lower percentage.

If we multiply these populations by the mid-band number of annual trips they make to crudely indicate who we sell most rail tickets to, we can see that the 10% of the population that travel once a week or more, dominate the overall tickets sold.



However we can largely consider these small number of existing weekly rail users as a saturated market – the **growth potential** is the 50% of the population that are existing rail users – but don't use rail very often, and make longer distance trips than commuters.

Up-sell to your existing customers who have elasticity to consume more of your product !

Rail ticket discounting

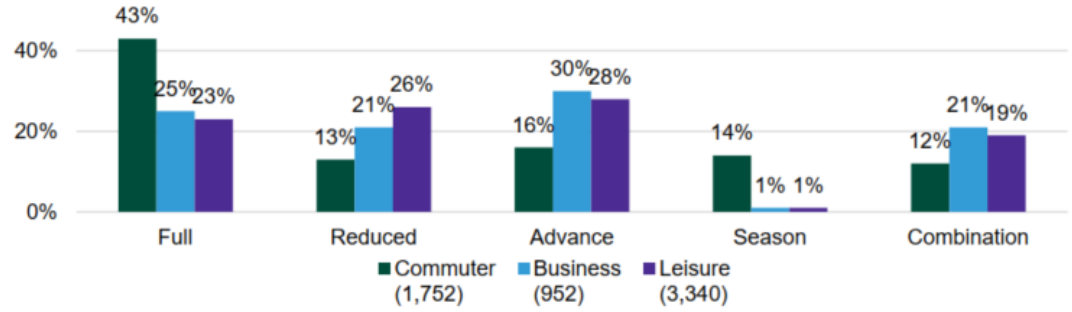
If we aggregate (ORR station usage estimates 24/25 – table-1410), we can determine how many tickets are sold at full and discounted prices.

Ticket Type	FY 24/25	FY 14/15
Full price tickets	30%	23%
Reduced price tickets	56%	38%
Season tickets	14%	39%

Full: all unrestricted (by time of day or day of week) tickets, whether or not issued with a status discount (child, railcard etc);
Reduced: all restricted (by time of day or day of week) tickets, whether or not issued with a status discount (child, railcard etc), + advance tickets
Seasons: all tickets with unrestricted usage across a pre-specified number of days.
https://dataportal.orr.gov.uk/media/1904/station-usage-steer-methodology-report.pdf

Clearly, contrary to popular belief, most rail tickets are sold at a discount, but whenever rail prices are quoted in the media it is always the peak fare full price ticket that is offered up as the attention grabbing headline – there is never a follow up of "*the peak time full price ticket is £150 but on average on this route customers pay £50*".

It is very notable the heavy use of advance tickets now being made by business travellers, this previously very lucrative sector is now displaying a much greater deal of optionality if and when they travel, and making heavier use of available discounts.



https://www.gov.uk/government/publications/rail-ticket-types-and-journey-purposes

The fixed level of discount that railcards offer, combined with their varying time and other usage restrictions make it more difficult to adjust the pricing ratio between peak time and variously discounted tickets, meaning that as a larger percentage of tickets are sold at a fixed level of discount, in order to stay revenue neutral the headline peak time fare should logically increase.

For occasional or non-users of rail the '*sticker price shock*' from these headline making peak time fares is very real and off-putting and disincentives even considering rail as an option for a particular trip.

We can also see how season tickets are rapidly becoming a thing of the past, as even commuter travellers want a greater level of flexibility and are much less willing to commit to a huge up-front payment to buy a season ticket to obtain a deep discount.

This chimes with 2025 DfT research :-

> *Over half of the respondents* (53%) own at least one Railcard, with younger and older age groups being the most likely to have Railcards. Additionally, individuals on lower income bands, and those with health conditions are more likely to own Railcards. Railcard ownership is also significantly higher among frequent rail users.*
> https://www.gov.uk/government/publications/rail-ticket-types-and-journey-purposes

*Respondents in the DfT paper is normalised to passenger km rather than individual or trip counts. (emphasis added)

While we can't determine from the public data what percentage of tickets are purchased using a railcard, we can observe from the DfT paper mentioned above, that for the people that do use rail, more than half had a railcard. That study normalised by passenger Km, rather than by individuals, so is skewed to existing rail users rather than the entire population, and by interviewing on the train will sample far more frequent travellers than infrequent ones, but it clear that a very substantial numbers of trips are sold with a heavy discount.

Railcard eligibility – are you special enough ?

Railcards are framed around being a member of a specific demographic in order to be eligible for one, but just how '*special'* do you need to be in order to be eligible for a railcard, or is it something of an illusion ?

If you're young (since 2019 extended to up to 30), you can have a railcard, and under 16 have reduced fares without requiring a railcard. (E+W+S population 0-30 at census 2021 36.7%)

If you're old (since 1984 reduced to 60 for all), you can have a railcard.
By 2050 25% of the population is forecast to be over 65, currently 20%
https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerandoldagedependencywhatdoesthefuturehold/2019-06-24

If you live in the south east, of any age, you can have a railcard.
There are a surprisingly large number of other special local railcards, each of which has its own geographic and travel time restriction – depth of discount, and cost of card.
https://www.nationalrail.co.uk/railcards/regional-railcards/
I bet you didn't even know most of these regional cards existed.

Other authors have highlighted this regional disparity https://bettertransport.org.uk/media/mind-the-gap-close-the-north-south-railcard-divide/ and suggested that more distinct regional railcards should be added. Our view is that the south-east card is reasonably attractive because of the huge area it covers, but other regional cards would cover much smaller geographic areas, and given the long 45 mile average distance of a rail leisure journey, would be a poor stimulus for leisure travel. Plus this would add more geographic boundary eligibility constraints and complexity rather than making customer's lives simpler.

If you're an armed services veteran, you can have a railcard.

If you're two people travelling together, you can have a railcard.

And finally if you're disabled, you can have a railcard. Clearly people with mobility impairments are much more heavily reliant on public transport, so it absolutely makes sense to offer this group a discount. When we consider all the other '*special'* groups that are eligible for railcards, disabled people aren't being offered any more of a discount than any of these other large groups of the population, so it could be argued that the additional needs of the mobility impaired is poorly recognised under the current system, since the majority of passengers are travelling at a discount, it's a minority that are paying full fare, so the depth of discount being offered to the mobility impaired is something of an illusion.

With all these '*special*' groups, and the expansion in age range at the younger end, and an aging population, it is no surprise that an ever larger proportion of tickets are being sold to these '*special'* groups, which since they make up most of the population aren't really '*special'* at all.

With all the overlapping criteria it is difficult to readily estimate the total population eligible for some sort of railcard. Based on age, 40% of the population are aged 30-60, and 28% live in London + SE which is the largest geographic railcard. Using census data we can come to a more accurate picture that for Great Britain, 27.4% are either not eligible for one of these three railcards (young, senior, London+SE network), or discounted child fares for under 16s, and that is before considering the other types of railcard. The recent DfT research showed that the usage of the '*two together*' railcard was slightly higher than the London+SE railcard (normalised by passenger km travelled) (p53, table 18), and 11% of railcard users by passenger km have more than one type of railcard.

Therefore a reasonable first estimate is that around 20% of the population are currently not eligible for some type of railcard (and not under 16). So why bother excluding this final 20% of the

population when it leads to such constant press headlines about '*high fares'* that are a barrier to infrequent users travelling more ?

An alternative estimate suggests 20 million of the population are eligible for a railcard, of which 7 million people have one (35% of those eligible) https://www.railcard.co.uk/media/how-many-railcards/

This number is clearly an under-estimate since at census 2021 for England and Wales the population of 16-30 plus 60 and over was 25.6 million, plus a further 7.3 million aged 31-59 in London + SE regions, and in Scotland at Census 2022, a further 2.4 million aged 16-29 & 60 and over. Hence a minimum of 35.3 million people are eligible for age based railcards & network SE railcards in England, Wales & Scotland. This makes the take-up rate 19.8% within the eligible population, but these railcard holders make up a large number of rail trips taken.

If we compare this with Switzerland, 40% of the entire population have a railcard or similar, which offers an extremely deep discount from otherwise extremely eye-watering headline fare prices. https://www.ticketinfo.ch/statistik/0009/0009.html

Railcard usage – Do I feel lucky? Well, do ya, punk?

If you do fall into a group eligible for a railcard, it is not all plain sailing. Each one of the railcards has a different set of geographic, time and fare level constraints. This set of constraints is overlaid onto an already extremely complex set of fares with their own set of geographic and time restrictions.

What happens if a well meaning passenger makes a mistake overlaying the ticket restriction conditions on their railcard restrictions resulting in an underpayment of less than £2 ?
We threaten them with prosecution and a criminal record.
https://www.youtube.com/watch?v=gTmdK17B4rg

This is not one single isolated incident of an individual revenue protection officer being over-zealous, the problem has been widespread enough for the ORR to report on it, being critical of TOCs usage of the draconian measure in their hands via private prosecution powers.
https://www.orr.gov.uk/independent-review-train-operators-revenue-protection-practices

This of course generates yet more headlines which will be off-putting to casual rail users.
https://news.sky.com/story/rail-firms-taking-disproportionate-action-against-passengers-without-valid-tickets-watchdog-warns-13378910

I've been sat on a train and got chatting to people who have innocently used a railcard at the wrong time and been given the '*well I'll let you off this time, but don't do it again..'* talk from the train crew – and this has then made them feel more anxious about future rail travel, resulting in them saying they now drive more.

By contrast, non-payment of VED (vehicle excise duty), and parking tickets are civil offences. Given the changing role of eVED for electric vehicles becoming a pay-per-mile scheme, it becomes even more analogous to railway fares.

Why is it that at a time when we want to encourage modal shift to more sustainable transport modes, we are literally treating railway customers as criminals, when similar behaviour by drivers is a purely civil offence ? This is the polar opposite of a system that encourages more rail use.

The one railcard that does not have complex restrictions on use is the disabled railcard, which is an excellent user friendly feature. However the discount does not apply to season tickets, so for regular working disabled commuters, we're not offering much more discount over the already quite deep season ticket discount, they are getting a similar fare as other non-disabled season ticket holders.

Railcard – time of day demand management

The time based usage restrictions on railcard usage are a secondary form of time-demand management, with peak / off peak and advance pricing being the primary form of time-demand management.

The question is, why do we need to mix (and confuse) the two elements of customer relationship / incentive management that a railcard should be, with time of day demand management ? If all time usage restrictions were removed from railcards so they became completely independent of peak / off-peak / advance price based time of day demand management, it would be easier to fine tune the ratio of pricing on a route by route basis, provided that the price-setting process is not micro-managed by political leadership who should set the strategic objectives and trust railway management on this level of operational detail.

Removal of all railcard time restrictions would also provide a degree of political cover to some degree of fare reform which might otherwise be very contentious, breaking up the fare reform process into some smaller steps under the cover of railcard reform would make it more politically digestible.

Railcard purchase – Do I feel lucky?

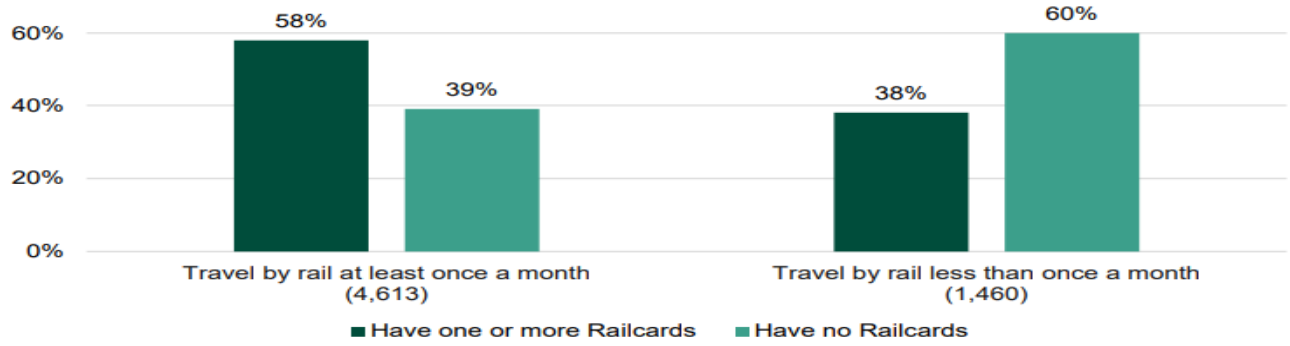
Let us say you're eligible for a railcard, and you've decided to navigate your way through the complex set of restrictions on your ticket and your railcard, does it even make financial sense to you ?

A railcard is basically a gambling opportunity, I am betting that I will use more than £105 worth of train tickets in a year for the £35 purchase cost, and the rail industry is betting that I won't, or even if I do use a bit more, the rail industry is still '*up*' on the bet because it's a high fixed cost, low marginal cost operation. Different flavours of railcard have different purchase costs from the one illustrated above, and have increased from £30 in 2025, with the previous price increase being 2013. In short railcard prices have fallen well behind inflation while still offering the same depth of discount.

Loss aversion is a well known psychological factor, even if the quantification of it, especially temporal discounting, is subject to a greater degree of uncertainty. Most research arrives at a factor of around two, so to overcome an immediate £35 loss I need to make an immediate £70 gain, with the required gain being more if that gain is delayed into the future. So the '*gamble'* is probably better framed as do I think I'm going to make £210 of rail trips this year to be worth the immediate £35 purchase cost, that will be the point I decide to place my bet.

This clearly moves the goalposts on who -even within groups eligible for railcards- is likely to purchase one, making it less likely that casual rail users will purchase a railcard. Group behavioural dynamics may come into play more than loss aversion economics, e.g. if '*all*' my student friends are buying a railcard I'm more likely to buy one even if it doesn't make as much economic sense to me individually.

Completely predictably, this means frequent rail users are more likely to own a railcard than infrequent rail users.



https://www.gov.uk/government/publications/rail-ticket-types-and-journey-purposes *: fig23*

The average railcard user saves £158 (https://www.railcard.co.uk/media/how-many-railcards/). Unclear if this includes purchase price. This is further evidence that the product is meeting the needs of frequent passengers, but giving them too deep a discount, whilst having too high an initial loss aversion entry barrier for less frequent passengers, explaining the low take up rate. Therefore it would make sense to reduce the initial loss aversion by reducing the price of the railcard, coupled with a reduction in the depth of the discount to compensate. This is difficult to achieve in the current railcard structure due to the political backlash it would cause.

This poses quite a large barrier to entry in order to obtain a discount, but once I've obtained the discount there is little extra motivation to use the railcard more. I obtain a little dopamine hit when I '*win*' my bet by getting over the winning threshold, that is of course if I even notice that I've '*won*', because of the purely transactional nature of ticket sales there is no way for the rail industry to notify the customer that they have gone past the break even point on buying a railcard to motivate them to buy one next year, or otherwise provide them with a '*rewards statement*' telling them how much a railcard has saved them this year.

> *Overall, almost two thirds (64%) of Railcard owners agreed (slightly or strongly) that having a Railcard influenced their decision to travel by train*
> https://www.gov.uk/government/publications/rail-ticket-types-and-journey-purposes

A smarter way to reward customers would be to give them much smaller but more frequent little dopamine hits by seeing some sort of incremental reward for every purchase they make. Another comparison is obtaining likes on social media posts.

Season ticket purchase – Do I feel lucky?

Season tickets are another much larger betting situation. In the case of annual season tickets the rail industry is asking the customer to commit to '*selling your kidney*' amounts of cash and make a huge up-front commitment for a long period of time in exchange for a deep discount on peak time fare ticket price – typically around 25-35%, comparable to railcard levels of discount.

This is again the complete antithesis of what modern consumers want and desire. They want greater flexibility in how they consume services, and are more reluctant to make large upfront commitments. The demographic of rail commuter is much more likely to be in a professional office based role and hence able to work flexibly to an increasing degree.

There is a hard tipping point around 3 peak time return trips a week where a season ticket '*bet'* transitions from being a loss into a '*win'*, and it's not until 5 peak time return trips a week where the '*winnings'* come any where near overcoming the loss aversion. Unsurprisingly fewer and fewer travellers are still willing to place that bet if they are able to work from home a couple of days a week and/ or flex their arrival times to travel off-peak.

Oyster and other similar weekly price capping schemes offer a partial solution to this season ticket issue by removing the upfront kidney removing levels of cash, but still have a hard edge around the 4-5 peak time return trips a week mark. At this point trips effectively go from being full price to free. There is no price based motivation to go from two return trips a week to three, if I don't think I'm going to hit the five peak time return trips level of usage.

> *Half of survey respondents (54%) who commute by rail at least once a month have the ability to split their time between working remotely and commuting. The majority usually commute by rail at least one day a week with one or two days being the most common choices*
>
> Table 16 – average number of rail commuting days in a week = 2.3
>
> Table 20 - % of railcard holders that have used railcard for today's trip, by travel purpose:
> Commuters 69% Business 56% Leisure 84%
> https://www.gov.uk/government/publications/rail-ticket-types-and-journey-purposes

They are also geographically restricted in scope, and typically require non-trivial levels of infrastructure deployment in the shape of card readers, which limits the speed of deployment.
In short, yet again, they are a solution for the needs of a small number of individuals (weekly commuters), the existing regular user base (to whom we do sell the vast majority of tickets so we must not neglect their needs), but don't offer anything to the 50% of the population who are infrequent (predominantly leisure) users of rail to motivate that much larger user base to consume more rail.

In addition, their restricted geographic scope makes them much less likely to cover leisure trips which are typically much longer than commuter tips, hence likely to fall outside the geographic boundary of metropolitan area based commuter price capping schemes.
It is also clear from the usage data, that even commuters, are using flexibility in working time arrangements to travel at times currently in scope of railcard as an alternate to season tickets.

If we were able to persuade the 10% of the population that is the regular user base to consume just one more journey per year, that won't increase demand significantly, whereas if we are able to persuade 50% of the population to consume one more trip per year that will result in a much bigger demand increase.

The new railcard

Now we have laid out the problem, what is the proposed solution ?

- Everyone is eligible for a railcard
- Railcards are free

  This transforms it into an on-going life long relationship with the individual customer and we can understand their behaviour and target offers. As the mobile telecoms industry is well aware, when this dataset is large enough the behavioural data becomes a commercial asset that can become another revenue stream for the industry.

- Initial discount is 3%

  The initial discount needs to be just enough to encourage customers to sign up, but should not be too deep because there is less flexibility to reward increased use with more discount.

- Your discount increases as you travel more and earn more '*points'*

  The customer sees regular small incremental bonuses from travelling more. It is in an arbitrary unit rather than money or distance to provide more flexibility in the way points are awarded and consumed. There is a mechanism within the process so that as you travel less your discount decreases. Precise mechanism would be designed at a later stage once broad principles are agreed.

- Your can earn up to 50% discount.

  This provides more motivation for even frequent travellers to travel more, and a perception that the new railcard is more generous than the current railcard. The level of travel needed to achieve and sustain this extreme level of discount should be such that a vanishingly small number of people actually achieve and sustain this discount, it is mainly a marketing carrot.

- There are no time of day or geographic restrictions on where the railcard discount applies

  Simplicity. The ticketing system is complex enough don't make it more complicated by layering one set of restrictions on another. Make the customer reward element completely independent of time-of-day demand management to allow greater flexibility and control of both variables.

  More extensive use is made of Peak / Off-peak / Super off-peak and advance tickets to provide time-of-day demand management and softer shoulders around peak time by more extensive use of off-peak immediately around peak time, and super-off-peak further away from peak time. Balance between ease of understanding and managing demand on route-by-route basis.

  We anticipate that most passengers would view the railcard becoming '*free*', and being able to be used for peak-time travel, as a fair and equitable trade-off for a commensurate reduction in the depth of discount. Clearly not everyone will agree with this, so messaging surrounding the changes is important for existing railcard users.

- Disabled people get an extra 10% discount over and above any other discount.

  This recognises the additional reliance that the mobility impaired have on public transport. At first glance this might seem like less of a discount than now, but as discussed earlier the depth of discount is something of an illusion since so many people are currently eligible for the same level of discount.

  There are no other '*special'* groups. It is much more of a personalised discount earned through use rather than being a member of a group with special characteristics. As discussed earlier the increasing broad eligibility criteria makes the 'special' group something of a fiction since most of the population is in these groups in some way shape or form.

- Anti-social behaviour

  If you commit anti-social behaviour, your railcard can be revoked (without having to resort to a prosecution). Safety is a significant issue for passengers, an additional stick to take away

someone's hard earned points is a further motivation to ensure respectful behaviour on public transport.

- Earning and consuming 'points'

  Similar to many airline frequent flyer programmes, points are earned when buying tickets and can also be consumed at the same time to give a discount. The default option would be a neutral approach where the customer gets part benefit of discount on today's ticket and some increase in banked points to give a larger future discount. However the customer can also choose to '*bank'* their points, getting a lesser or no discount on the current ticket purchase, but a higher future discount, or the option to '*cash in'* more of their points to get a bigger discount today at the price of a lesser discount on future tickets.

  This mechanism will be very familiar to, and hence likely popular with, business air travellers, who bank their frequent flyer points while travelling on company expenses, and cash them in when taking personal journeys. This is a reasonable quid-pro-quo for the disruption to your personal life of having to travel for business.

  Detailed research and behavioural design would be required to define the best approach and provide examples of how the precise mechanism would function to give the best balance of customer incentive and revenue optimisation, a key part of which would be understanding if having points expire over time or have an indefinite life provides the optimal solution.

- Group travel

  Group / family travel is a key factor in leisure demand. This is currently a major gap in this proposal which needs further design and development.

  One potential mechanism might be that a railcard holder could buy tickets for other people, transferring the ticket to the railcard of another group member to use the ticket ? That way the group benefits from the discount of the person in the group with the most discount. To make this painless, there would need to be a way for railcard users to send and receive '*friend'* requests to create a shortlist of users that they can send and receive tickets purchased on their behalf by another person.

  Points earned should move with the ticket, rather than staying with the purchaser. That way one person can't rapidly ratchet themselves all the way up to they highest level of discount.

  The rail industry could offer some other promo discounts when buying multiple tickets for the same trip at the same time when the size and composition of the group is known. Within the overall framework there is much greater flexibility to offer and target a range of potentially personalised different offers than the current rather rigid set of discounting circumstances that the various flavours of railcard provide.

  The key customer experience journey is that the '*railcard'* is my single point of sales contact through which all my promotions and offers are visible, I should not need another different type of railcard or another account that is a '*group railcard'*, just because I'm making a trip as part of a group. Understanding when and where the same individual travels alone and also as part of a larger group – especially if they are group leader / decision maker- is valuable marketing information.

  The entire group travel ticket purchase and use experience should be considered. When buying tickets for and travelling with small children, having a single barcode to scan is far easier than having to either wrangle a fistful of paper, or open and close multiple pages on a screen to find a barcode for each person.

As children get older, having a their own physical ticket and getting it checked can be a fun and educational part of the travel experience, especially if losing the physical ticket doesn't matter and a ticket / barcode carried by the parent can be presented instead.

When children transition into teenagers- but before they become adults- a parent would take comfort from, and likely still be financially paying for, visibility over the activity on a railcard account for a young person. We do not envisage any change to discounts for under 16 as part of this proposal, but there may be other non-financial convenience and travel habit forming benefits to be had from encouraging young people to set up and use a railcard account to manager their rail travel. E.g. travel by under 16s could build up the level of discount they get when over 16.

In addition to the '*two together'* and '*family railcard'* products, there are '*Group Save'* tickets to consider. GroupSave is another product with complex time and operator restrictions, with a considerable but not universal set of operators supporting the ticket which adds yet more customer complexity.
e.g. East Midlands Railway GroupSave tickets, despite having the same name are not useable across other operators, whereas Group Save tickets from a long list of other TOCs can be used for journeys that spanning those TOC, which are more likely for longer leisure journeys than generally shorter commutes. https://www.nationalrail.co.uk/tickets-railcards-and-offers/saving-money/group-travel/groupsave-terms-and-conditions/

- Railcard replaces season tickets.

  Simplicity, you get a railcard, you use it, your discount goes up. Simples. If you use it enough then your discount ramps up to season ticket like levels of discount, but you don't have to sell your kidney in advance. Plus you can use your earned discount on all trips you make to other destinations.

  Critical element for success of this component is that railcard discount and point accrual / consumption must not be limited to advance ticket sales, it needs to apply to travel through all channels – i.e. tap-in tap-out on PAYG parts of the network. There are currently technical challenges associating payment cards directly with railcard holders, so an intermediate step might be tap-in, tap-out facilitated by either a digital railcard stored on smartphone, or physical ITSO card, with payment card association being a future goal, or accepting some certain limitations on payment card – railcard integration functionality.

  There are some critical technical PAYG elements that would need to be put in place to enable season ticket replacement, and some more complex elements that could be deferred until a later stage when the behavioural change triggered by the new Railcard are better established.

  The critical PAYG element is the ability to indicate the start and end of each journey, this (for smart phone users) is currently part of a digital PAYG trial in the East Midlands.
  https://www.eastmidlandsrailway.co.uk/form/digital-pay-you-go-trial
  This could be extended to non-smartphone users by sending SMS at the start and end of each journey, provided the railcard was associated with a single mobile number.

  This would not support a paper fallback method, but given the demographic of season ticket holders there are probably a vanishingly small number of people that could not use the above two methods. Current paper season tickets could be retained and allowed to naturally decay over time.

  The much more complex part of PAYG trials arises from the very complex ticketing system. Determining the best price from the huge range of tickets, including period returns, when attempting to apply a weekly cost cap is extremely difficult. To do this effectively requires a degree of ticketing reform, in particular single leg pricing. Applying single leg pricing and no other ticketing changes whatsoever would be the least complex and controversial way to alter

the ticketing system to facilitate this functionality without bringing in a vast number of other dependencies to the project.

Given that the average number of rail commute days is 2.3 (across all commuters, not just season ticket holders), greater understanding is needed of the frequency distribution of travel across the user population to understand what size of population actually benefits from weekly price capping. Current TfL area products cap around the equivalent of 5 peak time return journeys a week, so it could be that outside London few passengers are actually making more than 5 peak time return journeys a week to the same origin / destination on current season tickets. If this was the case the utility of weekly price capping would be minimal and this alternative method of applying discounts may generate a better balance of customer satisfaction and revenue. More research of this area is required to make an informed decision.

A 2019 DfT study provided an update on the previous 30 year old assumptions about how many trips season ticket holders made, indicating a 20% reduction in trips made. Mean for weekly and monthly seasons of 8.5 single legs per week. Yearly 7.3 single legs per week. Since then Covid has massively impacted transport behaviours again since the conclusion of that study. https://www.gov.uk/government/publications/rail-journeys-per-ticket-study

The 2019 study indicated 15% of season ticket holders travel less than 5 days a week, indicating some degree of buying out of habit and convenience rather than because is more economic.

> *"for period tickets, e.g. weekly/monthly/annual seasons, there are a set of journey factors within the LENNON system that have remained fixed for a number of years. Whilst they were likely based on reasonable estimates of ticket usage historically, it could be argued that with lifestyle and working practice changes, e.g. greater flexible working, and ticketing arrangements that they are not as representative for today's market"*
> https://dataportal.orr.gov.uk/media/1904/station-usage-steer-methodology-report.pdf

If this all turns out to be more complex than expected, replacing season tickets could be deferred to become a later stretch goal of the programme, leaving existing season tickets in place for the time being. Given the diminishing number of season tickets being sold, and the even smaller number of individuals using them, not being able to provide season ticket replacement in the initial deployment of the new Railcard would not significantly reduce the benefits of the project. It might in fact be informative to seem how many season ticket holders naturally migrate to the new more convenient product, even if it has not been designed with their specific needs in mind.

- Railcard brand retained

  The proposal is essentially a complete re-invention of the railcard, making it much more like a Tesco clubcard for rail, so an option would be to present it under a completely different name. However '*Railcard'* has good brand recognition and loyalty that should be retained. Furthermore it would be open to mis-representation in the media as *'railcards being scrapped'* leading to huge opposition from people that objected on principle rather than the content of the reform.

- Multi-modal

  While not an initial goal, railcard should over time become an integrated multi-modal travel card offering the same level of benefits and convenience on all public transport modes such as local buses and trams. This would encourage end-to-end public transport journeys.

- Open access operators

  Open access operators are not part of the railcard scheme. GBR and local public transport operators only. This keeps revenue within the GBR tent, and customers would have a further motivation to use a GBR operator because of their ability to earn '*points'* for future discount.

It opens up a question of market positioning, should this new railcard approach immediately replace existing railcards, or is this new approach a GBRailcard for GBR operators only, with existing railcards being slowly phased out by ratcheting up the price of existing railcards by RPI + 1%, and diluting the benefits to encourage product migration to a new GBRailcard ? This latter approach may be less controversial.So far we have discussed the new railcard from the customer perspective, next we take the operator viewpoint. The aim is not to increase the overall level of discount, but instead to spread it around differently. We are currently giving semi-frequent users too much discount from the headline fare, but infrequent users not enough discount to motivate them to travel more.

The aim is to create a more gentle '*on-ramp*' without large steps so that infrequent customers are motivated to increase their frequency of use, and see a small incremental benefit for each additional journey they take.

As highlighted earlier from the ORR data, only a fraction of tickets are sold at full price, and the mechanism proposed provides a wider range of more nuanced ways to turn discounts up and down at the individual level that would not attract the same political attention as changing the discount level of current railcards.

The messaging for existing railcard users would be vital to gain customer acceptance and enthusiasm for the changes. The headline general message should be that railcards are becoming free and able to be used at peak times. The equitable trade-off being a reduction in the depth of discount to compensate for the reduced initial cost and gain of travel time flexibility, with the depth of discount being based on personal use rather than via membership of a particular demographic.

The message should be that across the entire farebox over all existing passengers the package of changes will be revenue neutral. But we hope to gain more passengers and revenue in the future by encouraging existing low frequency users to travel more, by more graduated smaller levels of discount instead of the big jump that currently occurs off-peak between non-railcard holders and railcard holders, plus allowing the last 20% of the population not eligible for some form of discounted travel to be able to build up a travel discount through use.

Final component of messaging should focus on the gain in customer experience though personalised journey messaging, not selling the changes on price alone.

Customer experience

So far we have talked a lot about fares, but there other ways in which converting the railcard to an ongoing customer relationship channel instead a set of isolated ticket sales can provide customer benefits. It makes it entirely plausible to suggest facilitating this customer experience journey :-

Some 12 hours or so before the trip you get an email / text message / notification through mobile app - "*you've got a trip booked today leaving from Waterloo to Welshpool at 2:15pm. Services are currently good. If you want to cancel your trip or reservation click here*"

An hour or so before departure...
"your train from Waterloo to Welshpool at 2:15pm from platform 10 is currently running 5 minutes late, you have a reservation in coach C, seat 12. This is the 2nd car of the train from the front. if you want to cancel your trip or reservation click here"

The same level of functionality can be offered through smartphone or standard phone using SMS.

This is facilitated via the linkage between the railcard account and ticket sales, and is another way to transform the experience of infrequent travellers far above the current *"there's your ticket – best of luck"*

This level of interaction notification and interaction is currently offered through some channels by some TOCs (Avanti, LNER at least, there may be others), so this '*innovation*' would be spreading best practice and experience from one TOC through all of GBR, with the big benefit being a more consistent and higher quality experience across the entire network, which is particularly important for less frequent travellers.

Revenue leakage

Internet resellers take 4.5% commission on ticket sales (2% on season tickets)
https://www.raildeliverygroup.com/publications/13115-rail-industry-commission-rates-from-1st-apr-2025/file.html

For Trainline this results on an annual income of 442M on ticket sales of 6 billion.
https://trn-13455-s3.s3.eu-west-2.amazonaws.com/media/4617/4659/6678/Trainline_plc_FY25_Earnings_release_FINAL.pdf

Operating profit margin of 19% for financial year 2025, increasing to 29% for first half of financial year 2026 https://www.trainlinegroup.com/investors/results-reports-presentations/half-year-results-fy2026/ The CEO is paid 5.7m (ref: verbal: Larry Turner MP, transport select committee)

In short they are making tech company margins on a company that is now operating a utility business generating excess profits resulting in a considerable leakage of income from passengers.

It is virtually unknown by passengers that ticket re-sellers take commission in addition to any fees they charge, The first step in transparency should be that any reseller that is charging any type of additional fee over the face price of the ticket should disclose the commission they are being paid, in monetary terms alongside and with equal prominence to any fees.

The second step is that the current level of sales commission is clearly excessive for the level of benefit internet resellers provide, so commission should be reduced to 3% through this channel, which can be compensated for by increasing the commission on season tickets to 3% (which under this proposal would subsequently be abolished)

The reduction in sales commission is a significant part of how the reduction in headline fares would be funded.

The final step is that tickets sold through resellers should not attract the same level of points accrual as those sold directly by GBR to the passenger. This would be entirely reasonable given the commission being paid to the reseller, and visible to passengers via the transparency on commission.

Conclusions

This Radical Railcard Reform proposal is a pragmatic way to re-shape way rail discounts are offered reflecting the changing way that passengers are travelling post covid, with far less regular commuting and increased leisure usage.

We are not suggesting an increase in the overall levels of discount, but reshaping the way discounts are structured in a way that will initially be revenue-neutral. By incentivising incremental increases in rail travel by individuals it can be revenue and patronage positive over time.

The restructuring proposed would provide far more nuanced ways to adjust discounts to influence behaviour in the future, in ways that would not generate political turmoil.

In addition, transforming the relationship between the railway and the passenger from a disconnected series of individual ticket sales, into an on-going customer relationship offers opportunities to understand individual customer behaviours, and provide customer experience benefits through personally tailored travel notifications and communication.

While it would have been conceivable to suggest this under an environment of fractured TOCs, it becomes far more achievable and beneficial under the remit of a single unified operator, so the proposal can be presented as a benefit made practical by nationalisation.

We strongly recommend that this proposal is given serious consideration by the rail industry and would be keen to engage on exploring its potential and refining the concept.

Next Steps

To progress this concept further to determine its economic and political acceptability, more detailed scheme and discount design, accompanied by behavioural modelling is required. MOIRA2 is the standard industry model used for this process, but its highly specialised accuracy is maintained over a relatively small range of changes in circumstances, so alternative modelling techniques may be required if this fare / discount structure alteration was deemed transformational and outside the operating range of MOIRA2.

An iterative process between economic modelling and behavioural scientists could converge on an optimal solution or set of possible solutions for decision makers to select from dependent on alignment between loyalty / discount scheme outcomes and strategic transport system objectives.

Many changes in the rail industry require high levels of capital investment, or long timescales, or both. By comparison, this proposal requires a low level of investment and can be deployed in parliamentary election friendly timescales, if the process was started now and intermediate decision milestones progressed promptly.

Open points in need of further consideration

>Group travel is identified as a key leisure driver, but mechanisms to exploit that segment of the market are current under-defined and in need of further development.

>In an earlier version we considered using the opportunity to shift discounts around as a way to reduce the 'sticker price' shock of headline peak time fares by reducing headline peak time fares by 10%, and reducing depth of discount elsewhere. This was on the assumption that very few of those headline full fare tickets are actually sold at full price without some form of discount being applied. On review we don't have enough data to make that suggestion – would need more detailed modelling to see if it was a viable option. Previous text below :-

This would make it possible to carry out a further headline grabbing benefit of reducing headline peak time fare costs by 10%, facilitated in a cost neutral way by slightly reducing the depth of discount provided to railcard users, and carrying out the change in a planned way over two/three years, with two/three years of CPI increases in January each year, followed by announcement / implementation of 10% peak time headline discount in April. It is entire plausible to suggest this level of headline fare reduction because of the small number of full price peak time tickets sold, provided it is coupled with an appropriate reduction in the overall depth of discount across the entire farebox.