

TRANSPORT FOR LONDON

RAIL AND UNDERGROUND PANEL

SUBJECT: OYSTER ON NATIONAL RAIL- PROGRESS UPDATE

DATE: 8 FEBRUARY 2011

1 PURPOSE

- 1.1 This paper seeks to provide an update on the progress of Oyster pay as you go (PAYG) on National Rail a year after the service was launched on 2 January 2010. The paper also provides an update on other ticketing projects and initiatives currently in progress with National Rail and other operators.
- 1.2 The Panel is asked to note this paper.

2 BACKGROUND

- 2.1 Efforts to get Oyster pay as you go on to National Rail services had been going on for many years. TfL reached an agreement with the DfT in 2006 to allow this to happen provided TfL paid the capital costs of the project. In return, TfL was required to make its estate compatible with the DfT's ITSO system through a project funded by the DfT.
- 2.2 After negotiation with the train operating companies (TOCs) between 2006 and 2009, an agreement was signed between TfL and the TOCs on 16 October 2009, allowing Oyster pay as you go to be installed at all National Rail stations in London.
- 2.3 Some train companies were already accepting Oyster pay as you go before the agreement was signed. The final rollout to other stations in London happened on 2 January 2010. TfL now has a full year's experience from running this service.

3 PAYG AGREEMENT

- 3.1 The agreement between TfL and TOCs constitutes a pay as you go Agreement (PAYG Agreement), signed collectively by the TOCs and individual Service Agreements and Implementation Agreements signed by each TOC separately with TfL.
- 3.2 The PAYG Agreement governs all aspects of the way Oyster PAYG is accepted on National Rail. TfL's understanding is that this is the only agreement that has ever been signed with more than one TOC as a signatory. This agreement also governs revenue accounting and apportionment.
- 3.3 Service Agreements between TfL and each TOC govern the services TfL provides to the TOCs, including maintenance of readers and other frontline

systems, and central services such as contract support, the Oyster Control Centre and the Oyster Helpdesk.

3.4 Implementation Agreements were required to manage the installation works.

4 SERVICE LAUNCH

4.1 Oyster PAYG services were launched on various TOCs at different times.

TOC	Launch date
Inter-available routes on c2c, Chiltern, NXEA and former London Overground Services; stations managed by TOCs serving London Underground	2004
London Overground	11 November 2007
Remainder of routes on c2c, Chiltern and NXEA	2 January 2008
First Great Western	17 September 2008
Southern (Balham to Victoria only)	22 November 2009
All other TOC services	2 January 2010

5 OYSTER TAKE-UP

5.1 The number of journeys made using Oyster on National Rail increased sharply in the first few weeks after the January 2010 launch and has continued to grow steadily since. The charts at Appendix 1 provide some relevant statistics for the use of Oyster. Some key facts to point out are:

- (a) Over two million journeys are now made each week using Oyster. This is an increase of 1.4 million since the launch of Oyster; and
- (b) Over £4m per week of rail revenue now comes from Oyster PAYG – translating into £200m per year.

5.2 Recent research work in conjunction with MIT shows that on the Underground nine per cent of all Oyster pay as you go journeys, amounting to 3.5 per cent of all journeys, are generated trips, in other words, journeys attributable to the ease of the payment method. By that estimate, nearly £65m per year of Underground revenue is accounted for by the introduction of pay as you go. Similar research is currently underway to study the impact of Oyster on National Rail journeys. Preliminary results from this research indicate that the introduction of Oyster increased National Rail journeys by about 5.5 per cent and accounts for nearly 40 per cent of all pay as you go trips. The generated revenue from this growth in journeys is currently being assessed but would easily amount to more than £50m for a full year at current traffic levels.

- 5.3 The level of incomplete journeys, at six per cent on National Rail, is significantly higher than on the Underground, mainly as a result of National Rail being a more open system. The majority of customers with an incomplete journey incur only one charge over a week, indicating that this is likely to be a result of inadvertently missing out on validation. There is no indication that the higher proportion of incomplete journeys is a result of fraud. Further work is being done to assess methods to correct genuine customer errors.
- 5.4 Oyster PAYG apportions between all rail operators a total of approximately £75m of revenue each period. Of this the total errors have never exceeded £8 in a period and are usually under £2 per period.

6 CUSTOMER SERVICE ISSUES

- 6.1 Customer service issues for Oyster on National Rail have been largely dealt with. TOC staff training at the time of launch was patchy, as was the call handling at the Oyster Helpdesk. Both of these issues have been substantially addressed.
- 6.2 The one remaining issue on customer service is the Oyster Extension Permit (OEP). The OEP is a facility that can be loaded on Oyster cards from any Oyster enabled ticket office or ticket machine to indicate that the customer intends to make journey outside the zones of validity of the season ticket on their Oyster card. This requirement came about as a result of TOC concerns about revenue protection on a largely ungated system.
- 6.3 In practice, the OEP is very difficult to explain to customers and the TOCs have not carried out any comprehensive customer information campaign. By and large the TOCs have chosen thus far not to enforce the OEP and allow customers to travel much as they do on the Underground. Nevertheless, we are aware of some instances where customers have been charged a penalty fare for not having an OEP.
- 6.4 The TOCs are also collecting more fare income from extension trips than they previously did with paper tickets. This is testament to the general observation that if TfL make it easier for customers to pay their fares then, by and large, customers do pay the right fare.
- 6.5 TfL continues to work with ATOC to get to a position where the OEP facility is removed from the system.

7 FURTHER OPPORTUNITIES FOR OYSTER

- 7.1 Following on from the Mayor's Rail Summit in February 2010, TfL is working with the TOCs to bring stations just outside London into the Oyster fold. Despite general reluctance from the TOCs, TfL is making some progress on discussions about stations on First Capital Connect such as St. Albans, on First Great Western such as Slough, on Southeastern such as Dartford and on Southwest Trains such as the Shepperton branch. First Group has asked the DfT for consent to extend Oyster PAYG to its stations.
- 7.2 TfL is also working with bus companies outside London to arrive at a position where Oyster may be accepted on bus services more widely. The

government's Local Transport White Paper, "Creating Growth, Cutting Carbon", published on 19 January 2011 provides a change to its approach to smartcard ticketing to allow Oyster to be extended further, building upon the new capabilities that TfL is developing through the Future Ticketing Project.

8 CRIME AND DISORDER IMPLICATIONS

- 8.1 It would appear that the level of fare evasion on National Rail in London has declined as a result of the introduction of Oyster.

9 RECOMMENDATION

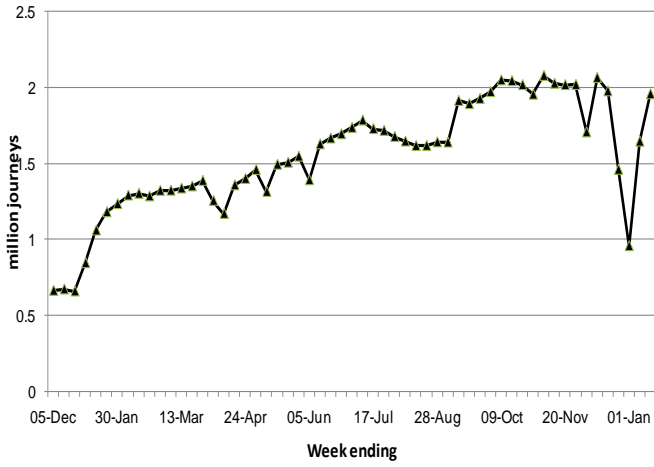
- 9.1 The Panel is asked to NOTE this paper.

10 CONTACT

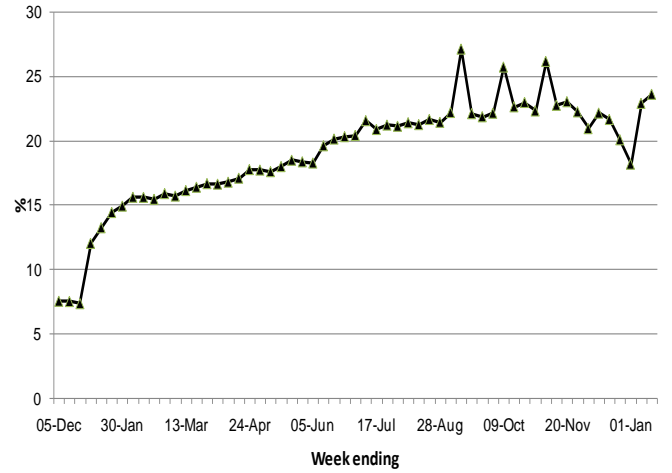
- 10.1 Contact: Shashi Verma, Director of Fares and Ticketing
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PAYG on National Rail – initial results to w/e 15 January 2011

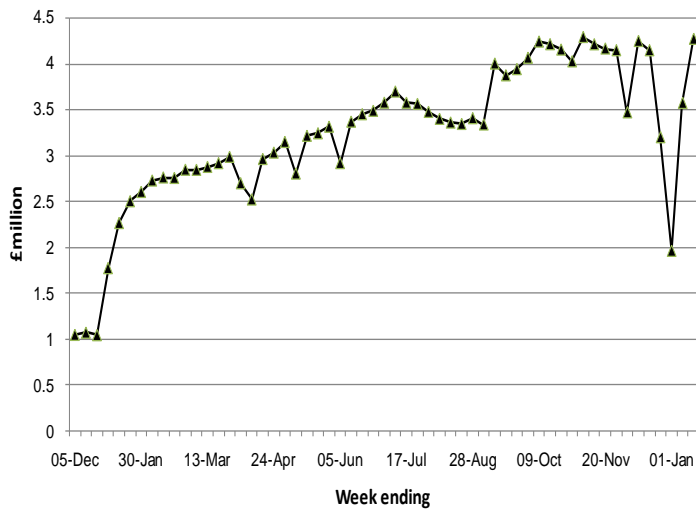
National Rail PAYG Journeys (incl LOROL)



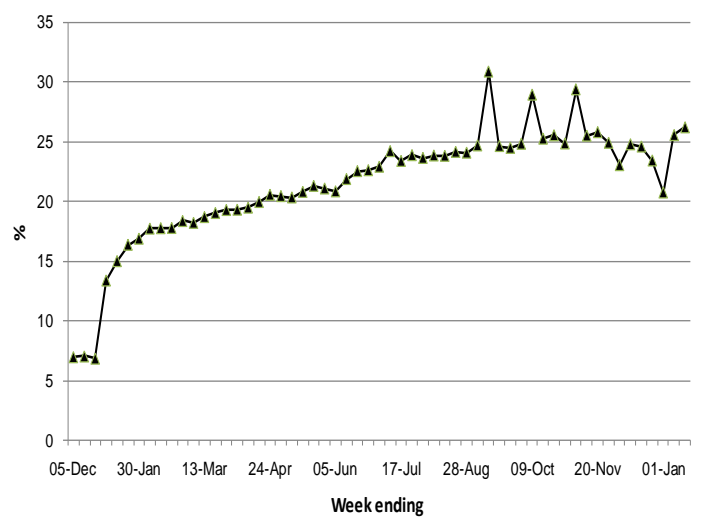
National Rail PAYG Journeys as a % of LUL/DLR



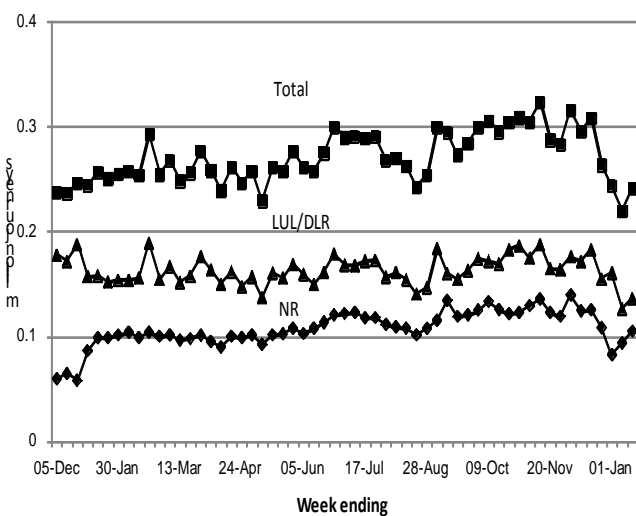
National Rail PAYG Revenue (incl LOROL)



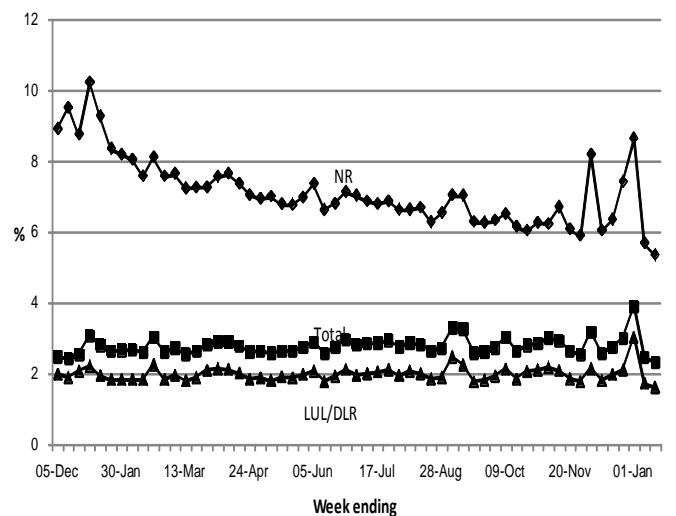
National Rail PAYG Revenue as a % of LUL/DLR



Incomplete PAYG Journeys



% of PAYG Journeys Incomplete



Notes and caveats:

- Before 2 January 2010, National Rail comprises LOROL, interavailable services such as Fenchurch Street to Upminster, Marylebone to Amersham etc and services such as those on First Great Western which began to accept PAYG in 2008 or 2009. These services are also included in the Rail statistics after 2 January 2010.
- The NR PAYG revenue amounts shown on the graphs reflect the actual allocations being made to National Rail. ATOC distributes this total amount between the various companies, including LOROL, Chiltern, FGW etc .