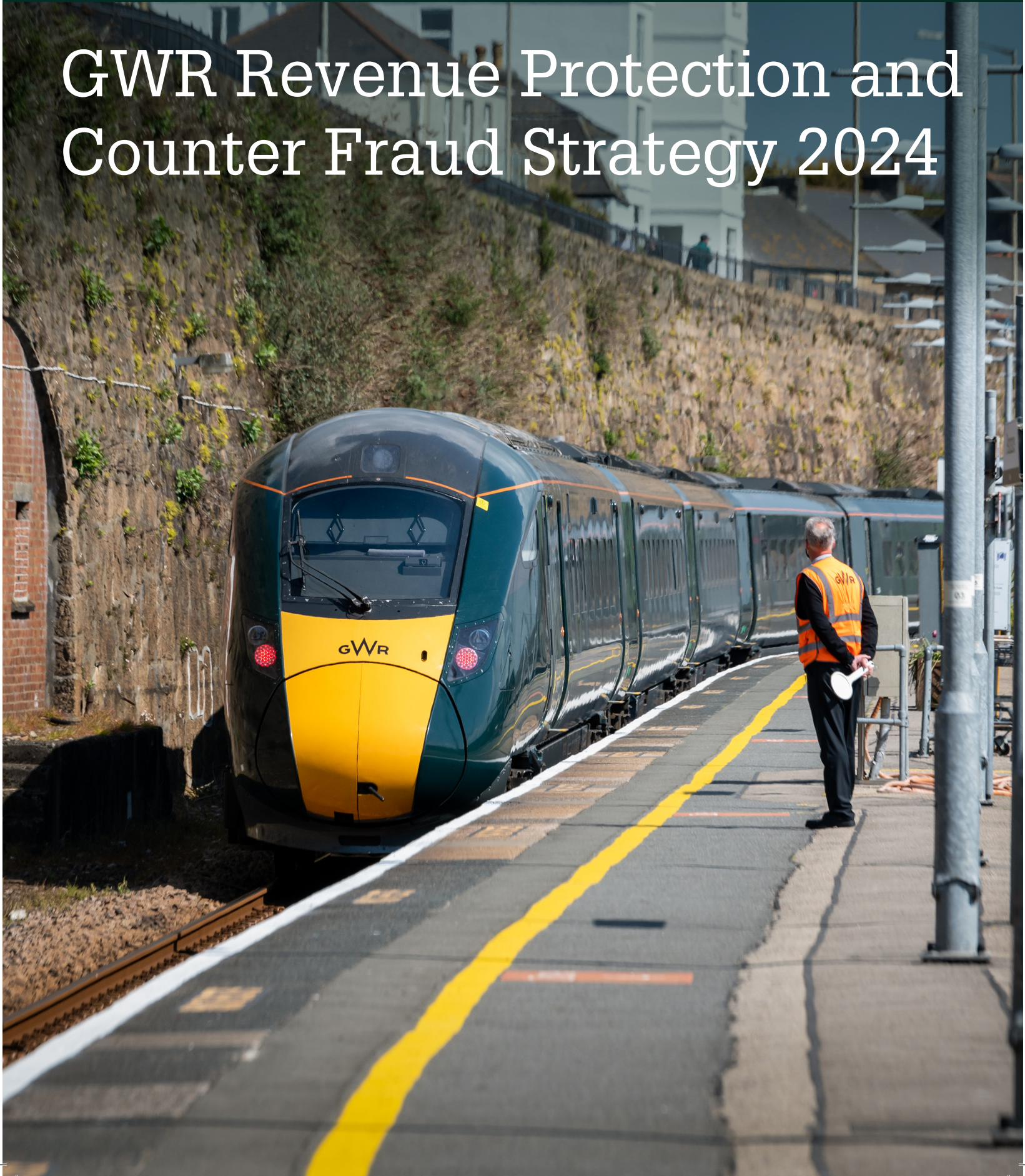


GWR Revenue Protection and Counter Fraud Strategy 2024



1. Executive summary

At GWR we are committed to treating everyone fairly. By its very nature, Revenue Protection (RP) sets up the potential for a low expectation of customer centric behaviours in the interaction between GWR resources and customers drawn into the Revenue Protection arena. To address this, GWR will ensure that RP colleagues use the appropriate tools to act fairly in every situation, including how we deal with everything from routine ticket checks/sale through to instances of journey related fraud and circumstances that veer towards criminal sanctions.

GWR will address robustly the causes and perpetrators of all forms of journey related fraud, focusing primarily on the prevention and mitigation of revenue loss as well as the detection, investigation and recovery of revenue owed by offenders.

Revenue generated by ticket sales and therein revenue lost through fare evasion and fraud is borne by the British Taxpayer. This strategy aligns with the UK Rail Counter Fraud Strategy and sets in motion GWR's plan for the creation of an effective and proactive intelligence led revenue protection and counter fraud function.

The purpose of this Strategy is to set out the GWR vision for the development and implementation of the Revenue Protection and Counter Fraud function and the reduction of ticketless travel on the GWR network.

The aim of the strategy is to set out the how GWR will deliver a professional activity that proactively and reactively addresses existing journey related fraud and mitigate future risks.

The historical piecemeal nature of revenue protection and the disorderly nature of industry data creation and analysis has allowed ticketless travel and journey related fraud to thrive. Yet due to its complex and hidden nature, the true extent of the cost and impact is difficult to reliably establish without introducing standardised activities and measurement exercises.

This is a forward-thinking groundbreaking innovative approach. This strategy sets out our intention to deliver a holistic approach to protecting revenue and countering journey related fraud. Whilst GWR will continue the traditional approach to RP - to detect offenders and use all available options to recover loss from them, GWR will champion prevention and mitigation by delivering targeted operations and through collaborative engagement.

Principles of Revenue Protection

GWR will;

- Treat everyone with respect and dignity.
- Reduce ticketless travel.
- Provide an informed RP focus in the design of new retail and compensatory schemes.
- Adopt an intelligence-based approach.
- Improve RP standards amongst guards and gatelines.
- Empower colleagues to discover and address ticketless travel.
- Reduce the necessity and opportunity to travel without a valid ticket.
- Prioritise investigation of persistent and prolific offenders
- Use all appropriate legal remedies to recover loss.
- Validate the perception amongst customers and stakeholders that GWR is a well run business which ensures that people pay for their journeys.

2. Background

Whilst railway retailing and after sales has evolved with the times, the rail industry has not significantly changed its approach to controlling the loss of revenue from ticketless travel since the implementation of the Regulations of Railways Act in 1889 (RRA).

The RRA created a criminal offence of intentionally travelling without a valid ticket when you had an opportunity to purchase one prior to boarding. This is still relevant today and can lead to an offender being prosecuted. Over the years Railway Byelaws & Penalty Fares have been introduced which created different offences for those who are not intentionally travelling without a ticket.

Fraud is the most prevalent criminal offence in the United Kingdom and is estimated to cost the UK economy around £219billion annually (Peters & Peters and Crowe, 2023). Whilst journey related fraud could be said to be an individually low-value issue, it is nevertheless perpetrated in such high volumes that the collective value of loss incurred is significant. Despite the evolution of digitised retailing, the rail industry has remained ambivalent towards the new opportunities this provides to both the opportunist fare evader and the more prolific individual. This means that whilst improving the way that customers can access tickets has improved dramatically, paradoxically, the opportunities these developments provide to the unscrupulous population have also widened.

Buying rail tickets can be complex which means mistakes can easily be made, for which those customers involved will be treated fairly and empathetically. On the other hand, opportunistic as well as hardened behaviours exploit system weakness to defraud the business for which, in the modern world, a trail of electronic evidence is usually attributable.

Improper application of discounts, dishonest claiming of compensation and refunds, as well as intentionally travelling beyond the distance of a purchased ticket are the most common examples of fare evasion where prolific and persistent behaviour can constitute an offence under the Fraud Act 2006.

This strategy outlines how GWR intend to validate the decisions made by the vast majority of law-abiding customer to pay for their journeys by identifying, measuring, and mitigating Journey Related Fraud that negatively impacts upon their experience. By doing so, GWR will reduce ticketless travel.

3. Revenue Recovery (RP sanctions)

Over the past five years GWR has made sustained improvements in our revenue protection detection. The revenues outlined below represent the value of income sanctions including Penalty Fares but exclude ticket sales by RP colleagues. Over the last two years, the focus on pursuing the more persistent type of fare evader has mean that whilst that income is still rising, the number of cases dealt with has reduced substantially whilst the income from each case has increased. This approach does not guarantee that this income will continue to rise as it has done as we continue to focus on a quality rather than quantity-based strategy.

Financial year	Revenue Recovery Team Income	Comment
2019/20	£1.68m	Fully functional
2020/21	£1.02m	COVID 19 & no events
2021/22	£1.41m	COVID impacted
2022/23	£1.66m	COVID recovery
2023/24	£2.1m	Fully functional

4. Loss measurement

The official means by which the industry assesses the value of loss is through ticketless travel surveys (TTS) which measure the volume of passengers using trains who are not in possession of a valid ticket. TTS currently estimates that GWR’s revenue at risk is around 4% of revenue.

There are limitations of relying upon the TTS as a means of calculating the real losses due to all rail travel related offences and GWR believe the actual number to be much higher. GWR will carry out a series of intensive, station-based activities to highlight the level of risk and unforeseen ticketless travel.

Recent exercises have enabled GWR to identify a profile for an average fare evader which enables the company to pinpoint operations.

5. Strategy

5.1 Prevention and Mitigation

Prevention is always better than cure. GWR’s prevention approach will begin with a fraud risk assessment which will;

- Identify if and where system weaknesses exists,
- Seek to measure the propensity of offending and
- Estimate the loss incurred.
- Develop actions to eradicate or mitigate the risks.

Retail design

Given that all the journey related fraud risks are universally faced by all train operators, GWR will engage at industry level to implement truly effective journey related fraud prevention and mitigation. The RP team will seek to ensure that fraud risk considerations when conceptualising, designing, and implementing new ticket retailing and compensatory schemes.

Use of Data Capability

In addition to delivering fraud risk assessments, we will continue to collaborate with our retail, revenue, and commercial insights teams as well as external stakeholders to explore and exploit data which can be used to develop and deliver a more data and intelligence led function that is deployable both on trains and at stations. In addition, we will invest in our back office investigative capabilities, aimed at providing a public facing deterrence and detection capability for those who are more prolific and systematic in their behaviour.

Priority Routes

GWR understand that the greatest financial risk is highest value longer distance trains, so will focus resources on deterring and detecting offenders on these routes. At the same time, appreciating that branch lines are often the most voluminous in terms of passenger numbers with high concentration of low value ticketless travel, intervention approaches will be built in so as to not let those areas deteriorate.

Guards and Gatelines

In theory, both gatelines and checks by guards on trains make ticketless travel far less likely. This only works to reduce ticketless travel if pursued vigorously and to a standard that identifies and corrects a proportion of entirely ticketless or improper behaviour.

We will deliver targeted and proactive operations at stations across our network aimed at preventing ticketless travel as well as increasing ticket sales, journey distances, railcard sales and decreasing dishonest discounts, and will continue to engage and influence the wider industry on the risks and costs involved in journey related fraud to create a better understanding and appreciation of the issue and to improve resilience.

5.2 Intelligence Led Revenue Protection

GWR will develop a model of using data that follows the ideology of the National Intelligence Model utilised by UK law enforcement. This uses intelligence submitted both by colleagues and the public as well as capturing and exploiting existing industry to create:

- A Strategic Risk Assessment
- Tactical Assessments
- Problem and Subject Profiles

These will allow GWR to identify;

- Hot spots,
- System weaknesses and
- Systematic offending

and apply either a combination of prevention/mitigation as well as detection and investigation methods aimed at driving down the revenue at risk and recovering loss, whilst allowing us to monitor and evolve the effectiveness of our activities.

5.3 Developing a Railway Counter Fraud Career Pathway

In pursuit of a quality vs quantity approach, tackling fraudulent activity within the fares and ticketing system provides the opportunity to address the more systematic criminal levels of activity which may be perpetrated by lone actors or part of an organised or semi-organised crime network. Such activity ranges from one-off abuse of refund or delay repay systems to long standing activity covering a multitude of system abuses.

Following approval through the ABP process GWR is able to employ suitably well-qualified and experienced fraud investigation specialists to take on this work.

GWR will also engage with external stakeholders to develop and implement an appropriate, and industry leading Counter Fraud Apprenticeship scheme aimed at developing a counter fraud career pathway.

All fraud investigations will be conducted to the criminal standard of proof by and will be aimed at detecting and calculating the entirety of any loss arising from the offender's behaviour.

All investigations will be conducted in line with the Service Level Agreement between the UK Rail Industry and the British Transport Police (SLA).

All cases which fall outside of that SLA and do not require the specialist powers attributed to law enforcement agencies will be allocated to the Revenue Recovery Department to recover the loss. Wherever appropriate GWR will prioritise recovering through an out of court settlement. However, there are occasions when GWR will instigate legal proceedings to recover the loss. This could involve criminal prosecution or civil litigation through the money claims process.

5.4 Pay As You Go (PAYG)

PAYG is expanding on the GWR network, with schemes from Transport for London and Transport for Wales operating along East and West routes, and with GWR schemes in Cornwall and Bristol coming on stream. The retrospective nature of fare collection in PAYG has identified new risks and challenges where protecting the revenue is fundamentally different to the traditional methodologies employed today.

PAYG creates a vulnerability for GWR due to the absence of a physical or even electronic ticket requiring use of a RID device to determine if a customer has tapped in with their bank card and even then, providing limited revenue protection outcomes for those customers who misuse the system.

GWR must develop, adapt, and improve the methodology of delivering revenue protection in the PAYG environment.

5.5 Further Development

GWR will create a Strategic Tasking and Coordinating Group (STCG) led by the Head of Revenue Protection Development and attended by cross functional senior managers and leaders. The STCG will be responsible for delivering the strategic assessment of the current and long-term RP and journey related fraud issues affecting both the business and the wider the industry. We will use this to create a tactical assessment to draw inferences, make recommendations, deploy resources and to deliver reassurance to our honest customers that we value their continued patronage.

However, as retailing and after sales functions evolve, so the risks faced in protecting revenue income evolve in parallel. Therefore, we will continually adapt the tactics and methodologies we use to counter these threats. We achieve this by engaging in a program of Continuous Professional Development (CPD) of both our revenue protection and counter fraud knowledge and skillsets, and the implementation of targeted operations.

Our 5 year plan will develop our capabilities in the following areas:

Prevention and mitigation

- Reforming point of purchase discount (railcard) entitlement verification.
- Understanding and mitigating emerging digital wallet and digital banking fraud risks.
- Ensuring that we remain abreast of both current and emerging Card Present and Card Not Present payment fraud risks in both the EMV and industry ITSO environments.
- Exploring and developing a banking sector style identity and payment Know Your Customer (KYC) account-based ticketing onboarding process.
- Reducing anti-social behaviour by developing a methodology that will empower and enable Rail Enforcement Officers (subject to their deployment in GWR) to report Railway Byelaw offences to the revenue recovery team which if left unsettled could be pursued through the Single Justice Process.
- Improving the technical capabilities of gate lines in detecting and preventing ticketless travel.

Policies and Procedures

- Creating a centralised suite of GWR revenue protection, counter fraud and intelligence management procedures and guidance tools that all regions will be expected to work from.
- Developing our approach to help colleagues differentiate between those who have made a genuine mistake and those who are exploiting opportunities.
- Driving and supporting a centralised industry approach to RP, counter fraud, and intelligence management.
- Driving forward industry fraud data sharing agreement(s).
- Developing a RP and counter fraud collaborative working ethic with other operators and industry stakeholders to address shared risks.

Investigation and Intelligence

- Investing in RP and counter fraud intelligence analytical skills to drive the strategic and tactical assessments.
- Refining methods of digitally recording and submission of evidence and intelligence.
- Identifying and proactively targeting determined criminals who exploit system weaknesses across industry and bring them to justice.
- Proactively targeting hot spot routes and stations to eradicate or reduce ticketless travel there.
- Utilising metadata to build a reactive investigative capability aimed at identifying fraudsters who exploit PAYG and retokenization fraud.

Revenue Recovery

- Developing a bad debt pursuit and recovery capability through greater utilisation of back-office investigation and the Civil Money Claims process.
- Developing our capability to utilise the Fraud Act 2006 in private criminal prosecutions for those who persistently and prolifically engage in journey related fraud.

5.6 Revenue Protection at Stations

Like all train operators GWR are conflicted between the priorities of delivering excellent customer service and protecting the revenue. Whilst station colleagues have historically focussed upon delivering customer service, protecting the revenue has been seen as the responsibility of on-board colleagues. However, both are not mutually exclusive and whilst all colleagues are expected to focus upon customer service preventing revenue loss in all the different forms of ticketless travel is also everyone’s responsibility. GWR recognises that it needs to do more at our stations to prevent and deter ticketless travel.

Whilst we should be reliant upon the gates at our stations acting as our first and last line of defence against journey related fraud. Through activities such as Operation Flying Dutchman, we have identified that there are significant revenue protection issues at our stations across our network, both in terms of technological and human capabilities. GWR recognises that we need to do more to improve our resilience at stations. This is especially true in an increasingly digital environment.

We will therefore collaborate with industry stakeholders to improve the technology used in our gates to prevent systemic issues in retailing and raise the awareness of station colleagues and their managers around their responsibility to effectively check and validate tickets. We will develop a program to train colleagues in how to do this and deal with those who do not have a valid ticket.

We will also explore the value of developing a bespoke programme to train and deploy dedicated revenue protection resources at stations where data suggests that effective ticket checking is not taking place. These will help station colleagues to become more competent in this area of the business. This will have a longer lasting impact upon ticketless travel at these stations.

5.7 Governance.

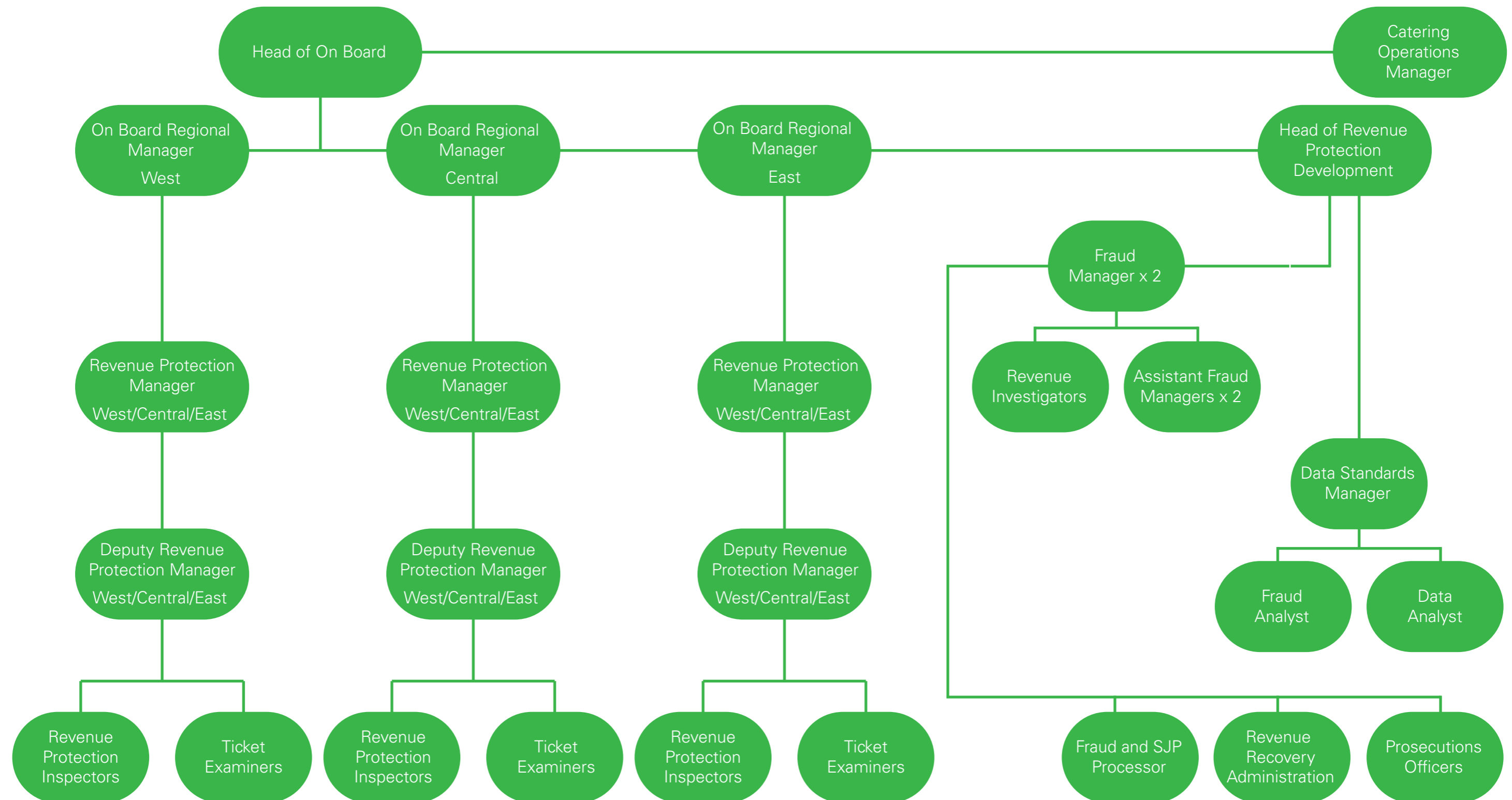
Revenue Protection reports through the Head of On Board. At a senior level, Revenue protection reports into the ROM steering group.

Within the Customer Service function, revenue Protection is governed through a dedicated steering group which meets each period.

Revenue Protection Steering Group

Chair	Head of Revenue Protection Development
Attendees	Head of On Board
	Head of Retail
	Head of Revenue Management
	Head of Revenue Protection Development
	Regional Stations Managers
	Customer Experience and Performance Manager
	Retail Operations Manager
	Revenue Protection Data Standards Manager
	Regional Revenue Protection Managers
	Revenue Protection Trainer
	Revenue Protection Data Standards Manager
	GWR Finance Business Partner
Frequency	4 weekly

Revenue protection organisational structure



GWR