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21<sup>st</sup> September 2015

Dear Ms Carty,

## **Response to the Office of Rail Regulation's 'Rail Retail Market Review' Emerging Findings Consultation**

FirstGroup is pleased to respond to the Office of Rail Regulation's 'Rail Retail Market Review Emerging findings consultation'. FirstGroup is one of the UK's largest rail operators and carried 280 million passengers in 2014/15. We run the following train operating companies (TOCs): First Great Western; First TransPennine Express and First Hull Trains.

FirstGroup's TOCs are all members of the Association of Train Operating Companies (ATOC) and as well as compiling this response, we are also part of the ATOC working group providing an industry response on behalf of ATOC members. We fully support the ATOC response.

We are keen to work with the ORR at both an owning group level and through our membership of ATOC to take forward further work in this area. We are happy for this submission to be made public and published on the ORR's website.

### ***(1) Do you agree with our description of the features of the market for ticket selling?***

Yes we agree with the description of the features of the market. When discussing a framework of rules it could have been more specific in identifying what these are and how in some cases these constrain the market for rail retailing, in particular Schedule 17 of the Ticketing and Settlement Agreement, which restricts train operator's ability to change ticket office opening hours.

### ***(2) Do you agree with our emerging findings with respect to passengers' ticket buying experiences regarding their choice / ability of a) retailer/sales channel; b) how they buy tickets; c) their ticket format; d) the range of tickets; and e) opportunities to find cheaper prices***

Our view on this question is aligned to the ATOC view. Please note that the information for our train operating companies in Table 4 is incomplete. Both Hull Trains and First Great Western offer E-tickets on their own flows whilst First TransPennine Express offers M-tickets on its own flows. First TransPennine Express also offers M-tickets on some shared flows (e.g. between York and Newcastle) which were introduced following the recent successful 'interoperable barcode ticketing trial'.

### ***(3) What are your views on our emerging findings that TOCs' incentives to introduce new fares and products are somewhat limited? What are your views on our suggestions around DfT's role and, more specifically, the role of franchising? What are your views on our proposed recommendations that improvements be***

***made to the industry processes to make it easier for TOCs to introduce new fares or products? Specifically, do you agree this should be taken forward now, as a matter for TOCs and governments?***

In addition to the response provided by ATOC, we would like to add that whilst incentives are limited there have been good examples across all our TOCs where new fares and products have been introduced at commercial risk. This includes expanding Advance Purchase ' & Connections' fares to include more origins and destinations served by other train operators as well as targeted products such as Club 55. First TransPennine Express has also recently rolled out a range of new group products for people travelling to and from Manchester Airport.

- (4) What are your views on the role TIS machines play in enabling TOCs to differentiate the way they sell tickets to passengers? What are your views on the appropriate response, in particular around the balance between providing the TIS market with more direction about the design of the TIS machines and in facilitating choice?***

Our view on this question is aligned to the ATOC view.

- (5) What are your views on the possibility that the price of (permanent) fares could vary by sales channel? What are the merits of considering this further at this stage?***

We support further work being undertaken to look at the risks and opportunities of introducing this from both a customer and business perspective. Whilst there has been significant channel shift to digital channels, this has predominantly been driven by customer convenience. By offering a financial incentive to the customer, differential pricing would accelerate the shift to digital channels and reduce overall industry costs of sale. As we highlighted in our last response, these savings could be reinvested in new smart forms of ticketing. We would also add however that it is important that any working group looks at ways to prevent this from penalizing those customers without or with limited access to technology.

- (6) What are your views regarding our emerging findings on the incentives potential and existing retailers face in entering and expanding in the market? Specifically, what are your views around having an independent body overseeing the third party retailers' arrangements, including the identity of the body; on having greater transparency of retailers' likely costs and remuneration; on having a formal obligation on the relevant TOC governance bodies to consult on significant changes to the industry regime; and on having an appeal mechanism to enable a third party retailers raise a dispute?***

We are very supportive of greater transparency and support the package of measures put forward by ATOC.

- (7) What are your views around the ways that industry could reduce the barriers smaller retailers face in selling rail tickets?***

Our view on this question is aligned to the ATOC view.

- (8) What are your views regarding our emerging findings that there could be increased scope for third party retailers to compete in selling tickets? Specifically, what are your views that all retailers should have access to all fares and products? What are your views on retailers' ability to discount fares, and to what extent should other retailers have access to these discounted products (at the cheaper price)? What are your views around third party retailers' inability to create new fares and products, and do you consider further consideration could be given to options that provide for a net pricing (or something similar)?**

Our view on this question is aligned to the ATOC view. We recognize the importance of third party retailers to our businesses. From time to time we offer discounts to customers through our own digital channels based on a commercial decision to reward customers for buying directly with us. We are currently in discussions with one major third party retailer regards them having the ability to offer adhoc discounts for (one/all of our train companies) when we have available seat capacity and we are open to having bilateral discussions with other third party retailers regards promotional fares. It is worth highlighting that until this year none of our train operating companies had been approached by any of the third party retailer to discuss offering discounts.

- (9) Do you agree with our emerging findings that TOCs have limited incentives to collaborate with each other in the development of shared systems? To what extent do you consider that having increased emphasis through innovation funding mechanisms of the role of an integrated, national network (and thus the role of shared IT systems) could address the issues? To what extent do you consider that a strategy, led by government with input from across industry, on future ticketing can play a role?**

Our view on this is aligned to the ATOC view.

- (10) What are your views on the merits, as a possible longer-term option, to consider relaxing the obligations on TOCs to facilitate a fully integrated, national network?**

All of the research we are aware of, including the ORR's own research conducted by BDRC Continental, suggests that customers value a fully integrated, national network. We also strongly support this view and would therefore challenge why it should be changed. We agree with the ATOC view however that there is a strong case to review the regulatory framework that underpins the provision of this network, for example, considering whether the regulation of long distance off peak fares continues to drive the best outcome for the market.

- (11) What are your views on the role of third parties (including third party retailers, passenger representatives and technology providers) in the development of shared IT systems? To what extent could formal working groups address the issue?**

Our view on this is aligned to the ATOC view.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H. Clancy', with a long horizontal flourish extending to the right.

Hugh Clancy  
Commercial Director, Rail