



## ORR Rail Retail Market Review

### Consultation response from Grand Central

31<sup>st</sup> October 2014

#### Introduction

Grand Central is part of Arriva's UK Trains division; a diverse organisation with the industry's broadest range of business models represented within its rail portfolio. As one of only two long distance open access companies currently licensed to operate on the National Rail network, Grand Central has a particular perspective to contribute to this consultation. The views of Grand Central are also reflected in Arriva UK Trains' combined response to this Retail Market Review.

Open access licensing requires potential operators to pass a 'not primarily abstractive' test; ORR's metric for ensuring that the new licensee will contribute to sustained growth in the rail market, opening up new geographical markets and generating additional journeys in locations where routes overlap. The different funding model for open access and the 'not primarily abstractive' criterion places an imperative on the operator and a liability on their parent company to unlock new sources of revenue.

Open access operators are typically less constrained by prescriptive contractual operating conditions than their franchised counterparts and have the agility to drive and adopt change more rapidly. However, the ability to realise the benefits of this more overtly commercial and entrepreneurial operating context is often held back by the industry's rules, processes and historical ways of working. An example of this is the complexity, cost and extended timescales involved in enabling franchised TOC-controlled station gatelines to accept other operators'/retailers' barcode tickets due to industry rules, conflicting commercial and operational priorities. In this example, the ultimate impact is one of inconvenience to the customer.

#### Responses to the question raised in the Review

Grand Central's views on the questions posed in the Review document have been incorporated in the Arriva UK Trains response.

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### **Additional feedback specific to Grand Central**

#### Q3: Insights on passenger behaviour

In its customer research, Grand Central consistently observes a high level of 'new/first time' usage by customers who have not made that specific journey by train before and have access to other means of travel. This high level of adoption is fundamental to the success of the open access model. These brand new customers are generally driven by attractive pricing and the convenience of a direct service from their local station and are unconcerned by rail industry complexity.

The majority of Grand Central customers buy dedicated operator-specific tickets, and Advance fares dominate. Grand Central regularly tops the industry league tables for overall customer satisfaction and satisfaction with value for money. Being cost-effective and easy to do business with is what counts to these customers, rather than the behind the scenes complexity of split ticketing, fees and regulation. These topics scarcely feature in Grand Centra's Customer Relations postbag, indicating they are neither deterrents nor enablers to travel for the majority of customers.

Rail customers (and consumers generally) struggle to define their future expectations or requirements clearly. In ongoing research, a significant proportion of Grand Central customers state that they do not know how they would like purchase and fulfil tickets in future. Regulation, individual franchise/license conditions and the short duration of many franchises prevents operators from developing an industry-wide future retail development strategy which could deliver a joined-up programme of truly customer-centric enhancements which would make the industry and individual operators easier to do business with and reduce the cost (to the operator/parent company) and confusion (to the customer) of bringing individual developments to market piecemeal.

#### Q9: TOC ticket office opening requirements:

Grand Central has a low reliance on traditional retail channels and in ongoing customer research its customers state a high level of satisfaction with the ease of buying tickets. A low proportion of Grand Central's revenue comes from tickets sold at stations, with the majority coming from tickets sold in advance online, where customers can research and buy tickets 24/7 at their own convenience. Several stations on the Grand Central network do not have ticket offices. This shows that, at least for long distance, price-conscious customers, the lack of an open ticket office does not deter travel. Customers who are not frequent rail users find other channels more suited to their lifestyle and preferred ways of doing business with retail organisations.

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