



Note of ORR Retail Market Review workshop, Monday 7 September 2015

September 2015

Summary

ORR hosted a workshop with stakeholders on Monday 7 September 2015 to discuss its recommendations for the rail ticket retail market. A range of industry stakeholders presented and discussed ORR's recommendations. This note summarises the discussion. View the [slides presented at our workshop](#).

Introduction

1. ORR's Review is focused on who sells rail tickets, the range of tickets available, where and how tickets are sold (e.g. online), and the ticket format (e.g. smartcards, paper credit-card sized tickets). It is focused on the rules, regulations and industry arrangements for ticket selling to ensure they are working to the benefit of passengers, taxpayers and industry.
2. ORR published its emerging findings and recommendations for consultation in June 2015 (see [here](#)). The purpose of the 7 September workshop was to get stakeholders' views on ORR's proposed recommendations and begin to develop a way-forward on the recommendations. More widely, the workshop was also intended to provide a means for stakeholders to discuss, and to hear about, wider developments in ticket retailing.
3. Siobhán Carty (project manager for the Retail Market Review) gave an overview of the purpose of the Review, the wider context for the Review and the progress to date.

Discussion on nearer-term recommendations

4. John Larkinson summarised ORR's nearer-term recommendations relating to the competitive role of third party retailers; competition among TOCs; and collaboration across industry. Three stakeholders presented their views:

- Jeremy Hotchkiss (Deputy Director, Rail Funding & Fares, Department for Transport) welcomed the findings of ORR's report, noting that the Department of Transport strongly supported the Review's objective of improving passenger confidence in buying a ticket, and urged stakeholders to engage with ORR on its recommendations.
- Nick Bamford (Head of Third Party Retailing, ATOC) said that train operating companies (TOCs) broadly supported the proposals regarding the third party retailer arrangements, and he outlined TOCs' work on the third party retailing arrangements. He also set out some of the barriers of smaller retailers entering the market. He said improving industry processes to encourage more competition among TOCs (e.g. in how they introduce products) would be likely to lead to only "*marginal improvements*" and that focusing on encouraging innovation through franchising is likely to be more beneficial; and
- James Bain (Director Mobility and eTransactional Services, Worldline) said that while the nearer-term recommendations were worth pursuing further, he questioned whether they go far enough in helping all of industry to reduce the costs of sale. He suggested that further consideration be given to encouraging third party retailers to drive industry revenue (highlighting the possibility of allowing third party retailers to bulk-buy tickets, taking the corresponding risk associated with this).

5. Attendees discussed ORR's nearer-term recommendations. The main points of discussion include the following:

- While there was general support for the recommendations among stakeholders, some parties suggested that the franchising framework gave rise to many of the issues in the retail market. As such, some queried whether the recommendations targeted the symptoms of the problem rather than the cause, and whether this was an appropriate response;
- There was general support for the recommendation that TOCs' role over third party retailing arrangements be subject to oversight, but suggested that this be relatively light-touch. There was support for making the rules more transparent and being clear about the rationale for specific rules. Some TOCs suggested that greater transparency of all parts of the Ticketing and Settlement Agreement (the TSA) would be helpful;
- While some parties were sceptical of the idea that passengers would benefit from being able to buy fares through smaller, physical sales channels (e.g. newsagents), most agreed that TOCs should at least support those who want to enter the market;
- Stakeholders' views were mixed about the appropriateness of some fares/products (e.g. discounted fares made available online) not being made available for sale by all retailers. There was also disagreement over whether an

industry-wide approach was necessary, or whether individual TOCs and retailers could agree an approach;

- Regarding competition among TOCs, some parties pointed out that while some TOCs have introduced new fares/products, many of these have tended to be on particular routes/flows that don't interact with other TOCs. Some stakeholders said that TOCs were constrained by the framework, including the franchising framework, from introducing new products;
- While there was some discussion about the limitations of having many fares, some parties suggested that better retailing systems (including interfaces between the different retailing systems) could help in navigating passengers to the right ticket for their journey needs;
- On the issue of collaboration in retailing, many stakeholders stressed the importance of governments' role, with many suggesting that governments should have a greater voice over what future technology should look like. At the same time, there were also calls for more flexibility in innovation funding mechanisms; and
- Some parties said that central IT systems were costing too much and that greater focus should be on ensuring the systems can evolve to capture inter-modal travel.

Discussion on longer-term options

6. John Larkinson presented the longer-term options ORR presented for consideration. These relate to i) differential pricing by sales channel; ii) net pricing, whereby there is a separate wholesale and retail market for fares; and iii) removing the obligation on TOCs to have inter-available fares for all routes (thus encouraging less reliance on central IT systems and processes, potentially encouraging greater retailer-specific innovation).
7. Attendees heard from two stakeholders on their views on the longer-term options:
 - David Mapp (Commercial Director, ATOC/RDG) said that there could be merit in considering differential pricing (highlighting the potential scope for cost reduction and more innovation) and, to a lesser extent, the idea of net pricing. However, he said that ATOC's preference would be to review whether some of the rules for retailing and fares (such as inter-availability, price capping, impartiality and station ticket offices) could be removed. In doing this, he suggested that consideration on the appropriate market model (e.g. where competition and/or collaboration is better suited and, therefore, what regulation was needed) was necessary; and
 - Mike Hewitson (Head of Policy and Issues, Transport Focus) said that while differential pricing might lead to cheaper fares for some, this would need to be

balanced with the risk of additional complexity and the need to protect vulnerable passengers. He also stressed the importance of inter-available fares, highlighting research from ORR and others that suggests passengers enjoy making use of inter-available and through fares.

8. In the wider discussion on the longer-term options, the following points were made:
- One stakeholder said that while the longer-term options discussed were interesting, they were “for another day” and that, instead, focus should remain on the nearer-term recommendations;
 - One stakeholder highlighted the need to mitigate passenger confusion around fares, citing research that suggests passengers are often not confident they have chosen the correct fare for their journey. However, another stakeholder pointed out the role that markets can play in helping consumer through the retail process;
 - On the idea of bulk-buying tickets, there was some debate about whether this would favour larger retailers, given the up-front investment required, at the expense of passengers;
 - One stakeholder said that the focus should be on the rules relating to the opening hours of ticket offices (schedule 17); and
 - One stakeholder said it was important that there was cross-industry support and leadership over the strategic direction of ticketing, rather than governments (necessarily) taking full responsibility for it.

Agenda of workshop

Time	Agenda item
10.00-10.30	Registration Tea / coffee
10.30-10.35 (5 minutes)	Welcome, John Larkinson (ORR)
10.35-10.45 (10 minutes)	Introduction, Siobhán Carty (ORR)
Discussion on nearer-term recommendations	
10.45-11.05 (20 minutes)	Overview of the nearer-term recommendations, John Larkinson (ORR)
11.05-11.45 (40 minutes)	‘Response’ to the nearer-term recommendations i.e. those listed on p12/13 of our consultation document <ul style="list-style-type: none"> - Jeremy Hotchkiss, DfT - Nick Bamford, ATOC - James Bain, Worldline
11.45-12.30 (45 minutes)	Group discussion on appropriateness of the nearer-term recommendations (6 mixed groups)
12.30-13.00 (30 minutes)	Lunch and tea/coffee
13.00 – 13.10	Summary of group discussion and next steps on nearer-term

<i>(10 minutes)</i>	recommendations, ORR
Discussion on longer-term options	
13.10-13.30 <i>(20 minutes)</i>	Overview of the longer-term recommendations, John Larkinson i.e. an outline of the options relating to <ul style="list-style-type: none"> - allowing price of fares to vary by sales channel; - net pricing (wholesale price for fares); and - relaxing the obligations on TOCs to create inter-available fares from anywhere to anywhere
13.30-14.00 <i>(30 minutes)</i>	Views of stakeholders regarding the longer-term options <ul style="list-style-type: none"> - David Mapp, ATOC - Mike Hewitson, Transport Focus
14.00-14.20 <i>(20 minutes)</i>	Open discussion
Conclusion to workshop	
14.20-14.30 <i>(10 minutes)</i>	Wrap-up and close

Use of the name, the Office of Rail and Road, reflects the new highways monitor functions conferred on ORR by the Infrastructure Act 2015. Until this name change is confirmed by legislation, the Office of Rail Regulation will continue to be used in all documents, decisions and matters having legal effects or consequences.



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