



North Wing Offices
Euston Station
London
NW1 2HS

Dear Sir/Madam

Virgin Trains (VT) welcomes the opportunity to respond to the ORR consultation on the potential impacts of regulation and industry arrangements and practices for ticket selling. As an active member of ATOC and ATOC Commercial Board we have been party to the response prepared by ATOC and in general support the response they have provided.

Chapter 2

Whilst the pace of change has been significant, there are hurdles within the industry which have hampered development.

The structure of the industry does slow the rate of development and innovation. The example of the CrossCountry 10minute advance ticket is particularly noteworthy – where the ability of other TOCs to competitively respond to the new product and the financial requirements of their franchise agreements, meant agreement could not be reached. More broadly, there is a sense that to change or introduce an element of retailing or fulfilment, the whole industry needs to be able to accommodate the change. A good example is the move away from the orange Credit Card Sized Ticket (CCST). This appears to be blocked by the need for a solution that is as applicable on a London commuter flow, as on a high value long distance flow, or on a branch line with low volumes. In both instances the structure of the industry slowed innovation.

This is compounded by a franchise process which encourages short bursts of investment and development at the start of a franchise to maximise value, but less investment towards the end of a franchise, where the return on investment cannot be justified. As an industry we need to ensure there is the structure to enable us to innovate throughout.

Chapter 3

We agree with ATOC's comments

Chapter 4

In general we agree with ATOCs comments. Impartiality does drive additional cost and some confusion for sales on our website. Customers do complain that as the ticket was purchased on a Virgin website they thought it was a Virgin train they would be travelling on, which is not always the case. The need to sell all TOCs tickets slows down the rate of innovation, as the way we retail our tickets is constrained by the impact on other train companies and the products they sell.

Chapter 5

As operator of the West Coast franchise, we have worked with third party retailers to grow the rail market. We believe that growth in the rail market is more important than growth in our share of the retail market. To this end we work closely with third party retailers.

We continue to offer the full range of products to third party retailers, without additional discounting on our website. In the past, thetrainline (through travel munky) have been able to sell season tickets in collaboration with us.

To us it is clear that competition between retailers helps in overcoming the perception that rail travel is expensive or poor value. The success of thetrainline and their 43% cheaper message has shown the power of a value message to encourage passengers to travel.

We work closely with travel management companies and have been members of the GTMC for more than 8 years, and until recently we were the only TOC member. We have a number of bilateral agreements with TMCs to offer discounts and incentive deals to specific corporate who would deliver growth. These are in addition to the industry commission paid through ATOC and we are open to agreeing additional remuneration with any TMC where opportunities to grow sales through their engagement are identified.

In addition the average transaction value for VT sales by TMCs is over 2½ times greater than through other channels, and so a focus purely on percentage rates of commission is misleading.

Chapter 6

No further comments

Finally, we believe the future of the third party market is healthy, and do not believe that the cost of entry will limit the number of players in the TIS market in the future. We consider that changes in technology and the development of API's which can plug into different interfaces will break down these barriers. Whilst there may be a limited number of backend systems, we believe there will be a growing number of channels where rail tickets will be sold – merging with other modes of transport, travel agents or comparison sites such as Kayak, Skyscanner, TripAdvisor and even Google.

We look forward to working with you through the next stages of this piece of work.

Yours

Ian Coles
Director of Revenue Management
Virgin Trains