

Tom Cole
Head of Competition

Office of Rail and Road
One Kemble Street
London
WC2B 4AN

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Dear Tom

ORR Market Study - Concluding Response from the Rail Delivery Group Limited

This letter is our concluding response to the ORR Market Study into the supply of ticket vending machines and ticket gates, specifically in relation to the RDG accreditation process, but including reference to industry compliance standards against which all rail retail systems are accredited.

We believe accreditation should help to facilitate a healthy and robust supply chain that drives and enables innovation for customers when purchasing tickets and settling transactions. For retailers we want to reduce the time to market, provide support and clarity, which ultimately maintains the quality and choice for customers.

Engagement

RDG has actively engaged with the ORR during the market study and will continue to do so, as we also believe that this is an opportunity to continue to review long standing working industry practices in this area. RDG has freely shared its expertise, knowledge of the market, answered questions and provided evidence promptly.

Commitments

As our response to the ORR Market Study, we made commitments in nine specific areas and have reported on the progress of these throughout the period of the study. These commitments were informed by a five-week independent review of accreditation, which included discussions with Third Party Retailers, Retail System Suppliers and the ORR about their issues with the accreditation process. The ORR were concerned about the need for the accreditation process to do more to promote competition and new entrants.

Below are the nine specific commitments that RDG made together with a concluding update on each workstream. RDG has shared progress on the various workstreams with our members through our periodic governance meetings and with suppliers through our regular accreditation planning meetings with them.

- 1. Revise Accreditation Mandate** - This is designed to clarify the purpose of accreditation and will include our approach to innovation and a governance escalation route covering non-compliance, as well as providing a focal point for our improvement activities. It will ensure that all parties are clear about the purpose and aims of accreditation.

RDG delivered a revised Accreditation Mandate which was endorsed by our members and then published on the Accreditation section of the RDG website and can be found at:

<https://www.raildeliverygroup.com/our-services/rdg-accreditation.html>

In addition, a new approach to governance around non-accredited retail systems was approved by our members and a list of 'Accredited Suppliers' is now published under the Accreditation section on the RDG website and updated ahead of our bi-monthly member governance meetings.

- 2. Update RDG Website** - The aim here is to provide a simple and easily accessible overview of accreditation and team contact information. This will help new entrants to both engage with and gain an understanding of the process that they will need to follow.

RDG delivered a refreshed Accreditation section on the RDG website, which includes an FAQ section. RDG has also added a plain English 'Accreditation Video' which sets out what accreditation is, why we need it and the steps to go through to gain accreditation.

- 3. Improve Onboarding Guidance** - This is linked to the previous workstream as it will refresh existing guides and develop new ones, which in turn will support new entrants with more accessible information.

RDG delivered this as part of workstream 2 with the introduction of workflows and templates which are available via the Accreditation section on the RDG website. The publication of a refreshed Accreditation Guide had been on hold pending approval via our governance processes, but the updated version is now available via the Accreditation section on the RDG website.

- 4. Create Pre-Accreditation Process** - This is also linked to supporting new entrants to the market. This workstream will promote earlier engagement between new entrants and the team, enabling a more efficient process. RDG will be appointing an Accreditation Support Manager to lead in this area.

In September 2018, RDG appointed an Accreditation Support Manager who is now leading in this area by promoting earlier engagement between new entrants and the accreditation team. He is also working closely with the RDG Licensing team to ensure all sides are clear on what a new entrant is being licensed to retail and what that would involve in terms of applicable industry compliance standards and accreditation. Earlier this year, RDG also introduced a monthly internal steering group, which brings together commercial and technology colleagues to discuss developments in the rail retailing space. This has helped RDG to improve the way in which it engages with emerging developments for which industry compliance standards need to be developed.

- 5. Review Governance of Standards** - RDG recognises that it needs to review how industry compliance standards are both developed and maintained. This workstream will assign accountable and responsible owners for standards creation and maintenance and seek to more actively involve all parties.

As mentioned above, RDG has set up an internal monthly steering group which brings together commercial and technology colleagues within RDG and which has been tasked with identifying the appropriate subject matter expert or product owner for governance over each particular industry compliance standard. This is covered in RSPS 9000.

- 6. Review Standards** - This is linked to the governance of standards and is designed to review standards and tests that are perceived to be confusing, duplication and/or go further than necessary.

RDG completed its review and identified that not all industry compliance standards were relevant to all retailers, as their retail offerings may differ. The aim going forward is to tailor retail licences more closely to the retailer's specific requirements which will ensure a more appropriate level of accreditation, and we refer to this further below under the section titled 'Continuous Review & Improvement'.

- 7. Pilot Streamlining Testing** - The aim of this workstream is to see where we can make it easier for suppliers to maintain compliance with standards in the most cost-efficient way. RDG will look to develop testing approaches in conjunction with suppliers and then pilot them to confirm that they do improve efficiency in terms of both cost and time.

Earlier this year, RDG reactivated a dormant test library as part of this workstream and this will continue to be developed and refined going forward. RDG also removed the requirement for suppliers to share their ongoing regression testing with RDG, which could save them up to a week of time and cost on a major accreditation. RDG has also reviewed the process in relation to accrediting downstream clients of Third-Party Retailers and removed the need for subsequent accreditations once the first client has been accredited. This responsibility has been devolved to the Third-Party Retailers, which should also save time and cost.

- 8. Pilot Retrospective Accreditation** - The aim here is to respond to more agile forms of development, so RDG would permit self-accreditation, but this would be underpinned by a new retrospective accreditation process to ensure that any self-accreditation has been performed correctly. It is effectively accreditation after the event and will ensure agile style developments are not held up by the waterfall accreditation process. This will put the onus on Third Party Retailers to ensure they release compliant software. Given the sensitivity around the area of settlement from an industry perspective, RDG would want to carefully consider how best to approach this and pilot it thoroughly to confirm it will work in practice.

The approach to this recommendation evolved during the market study and led RDG to develop thinking around an ongoing continuous approach rather than a retrospective one. This involves the removal of the 3-year accreditation requirement and replaces it with an ongoing annual accreditation, focusing only on those industry compliance standards that have changed during the preceding 12-month period. The aim is to reduce the lengthy 3-year accreditation that can take months to complete and would not have been addressed by adopting retrospective accreditation. RDG has commenced an 18-month trial with three suppliers to test the process, and any new entrants can move onto this approach once they complete their initial accreditation.

- 9. Drive Continuous Improvement** - RDG will also put in place a continuous improvement regime to ensure that we embed our new approach and way of working. This is a developing workstream and RDG will populate this with dates for other activities such as new entrant surgeries or innovation days and the development of new entrant care packages to help with other related retailing issues.

As part of RDG's commitment to continuous improvement we introduced Accreditation Surgeries for new entrants to obtain free advice on accreditation and what it takes to become accredited. Experience and feedback from these surgeries has now led us to have individual meetings with suppliers as some were reticent to share their ideas in an open forum. We now have engagement with 49 suppliers across all rail retail systems and of that number 14 were new to the process and are presenting a number of different approaches to retailing rather than the traditional approach to retail channels and products. Given commercial sensitivities around new developments, RDG will supply details of these directly to the ORR rather than publish them within this open letter.

Continuous Review & Improvement

Given the progress that RDG has made over the last 12 months in relation to the ORR Market Study commitments and the positive outcomes that delivering on them has driven in respect of new entrants to the market, RDG will continue to review and seek to improve both the services we offer, the support we provide and how we communicate.

Specifically, in relation to communication and engagement, RDG will continue to attend industry trade shows and events, as well as holding our regular ongoing meetings with suppliers, retailers and members. These events and meetings together with our dedicated web pages on the RDG website will provide the platform for us to actively share information about ongoing and new developments.

It can be challenging to ensure a consistent engagement across such a large and varied number of interested parties, but we are committed to improving how we interact with them. It is interesting to note that during the last 12 months, a number of interested parties have approached us directly and initiated contact because there is a greater level of awareness of our accreditation services and how to contact us.

Looking forward, RDG are currently scoping out two new workstreams that we feel will complement the work that we have already undertaken as part of this study, and these are:

Accreditation Compliance Marks - timescales 12 months

This involves developing thinking in relation to the level of ongoing compliance that a retail system has at any given time, and as we are moving from the three-year accreditation renewal cycle to continuous ongoing accreditation as part of our response to this study, so we want to be able to offer more flexibility to suppliers. We will aim to do this by implementing a mark which confirms the current level of compliance of any given retail system. This would mean that systems with a 'gold' accreditation mark would be fully compliant with all current industry compliance standards, whilst 'silver' and 'bronze' marks would confirm lesser levels of compliance. This would provide retailers and suppliers with some flexibility in this area, whilst a 'bronze' level of compliance would still be providing train companies and customers with a sufficient level of assurance in respect of the retailing system they are using.

Accreditation of Future Retailing - timescales 12-24 months

Given that future retailing is going to be smarter and more agile in its development, RDG is looking to scope out a project which will seek to develop a new retail licence regime that will drive a revised and more focused set of industry compliance standards that focus more on protecting central industry systems and interfaces rather than seeking to drive compliance with retailing practices, which in turn should simplify accreditation still further.

Conclusion Comments

RDG has actively engaged with this ORR Market Study, provided updates on progress as required and adopted an open and transparent approach. We believe that the changes which we have implemented have benefited both retailers, suppliers and customers, and we will, as set out in this letter, continue to look at further ways in which we can simplify the process whilst still providing the level of assurance that is required in this area.

Yours sincerely,



Simon Wright
Head of Services & Assurance, Rail Delivery Group