Market Study Update

30 September 2019

Summary

This report gives an update on what the industry has been doing to put into practice the recommendations we made following our market study into automatic ticket gates ("**ATG**s") and ticket vending machines ("**TVM**s"). ORR has continued to work closely with industry and monitor progress against the recommendations.

We consider that sound progress has been made. An industry working-group into ATGs has been established with clear objectives and success criteria aimed at generating and improving competition and innovation in the ATG market. Transport for London hosted a workshop highlighting possibilities for access to its systems. Additionally, the Rail Delivery Group ("**RDG**") has completed 7 of the 9 commitments it provided to ORR, and has taken on additional projects to further improve its accreditation processes.

ORR will continue to monitor progress against delivery of these recommendations and will report in one year's time.

Recommendations

1. In March 2019, we set out three recommendations in our final report[1] to tackle the market issues we identified in the ATG and TVM markets. These were:

   - **Industry working group on Automatic Ticket Gates (ATGs).** We recommended that RDG facilitate an industry working-group dedicated to considering issues regarding ATG procurement, interoperability and options for consolidating procurement.

   - **Improved access to Transport for London (TfL) network.** We recommended that TfL, industry and alternative ATG suppliers (such as those currently active in other countries) work together to develop both short term and longer term solutions to provide 'interoperable' access to TfL systems for third parties.

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[1] https://orr.gov.uk/__data/assets/pdf_file/0020/40628/market-study-into-the-supply-of-ticket-machines-and-ticket-gates-2019-final-report.pdf

■ **RDG accreditation.** When we published our update paper in September 2018, RDG provided nine commitments to significantly improve and simplify their procedures for accrediting new and innovative retail products. We recommended that RDG continues to deliver its commitments and report to ORR under the commitments regarding their work and its impact on the market

Implementation

Industry working group on ATGs

2.   A working group has been set up and has senior level representation from across Train Operating Companies ("**TOC**s"), transport networks such as TfL and Nexus, Glasgow Subway, and Transport Scotland, the Department of Transport, RDG and ORR.

3.   The agreed objectives of the group are:

■ To consider issues regarding ATG procurement, interoperability and multimodality.

■ To provide a forum for industry parties to come together to set a vision for the network, providing clarity to the supply chain, and incentivising new suppliers to develop innovative products to enter the market.

■ To fully consider the value of consolidating demand of ATGs and/or their component parts and explore options to do so.

■ To promote the creation of an industry wide long-term vision of an ATG/revenue protection landscape, which has innovation and the interests of passengers as core principles

4.   There have been two meetings of the working group, held on 20 June 2019 and 16 September 2019. The first meeting set up the group and developed Terms of Reference[2]. The second meeting focused on developing work streams.

5.   Initially the group will run for 2 years, after which ORR will carry out a review to consider progress made.

Improved access to TfL network

6.   A workshop was held on 5 July 2019 at TfL's headquarters to discuss and share options and possibilities for interoperable solutions compatible with the TfL network.

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[2] Attached at Annex A. The Terms of Reference contain an obligation to adhere to competition law.

The workshop was attended by 6 TOC owning groups, and 5 suppliers and potential suppliers.

7. At the workshop, TfL provided an overview of the history of how it has procured revenue protection, and its current revenue collection contract with its current supplier, Cubic. This presentation highlighted the services that the contract covered, and the principles and reasons underlying TfL's decision making.

8. Cubic and TfL proposed that a reader could be developed which could be provided to alternative ticket gate suppliers to enable them to access (i.e. be interoperable with) the TfL network. TfL would be required to establish an accreditation regime and enter into agreements with alternative suppliers.[3]

9. Feedback from the event was positive, in that participants were encouraged that TfL was open to finding a solution to the issue of interoperability, and open to engaging with alternative suppliers. The feedback also highlighted a number of challenges in establishing the proposed solution such as the cost of development and ongoing accreditation and maintenance.

10. ORR considers that significant steps have been taken to 'open the door' for alternative suppliers to work with TfL to develop a solution compatible and interoperable with its systems. We encourage industry participants to continue to engage and work with TfL to deliver a solution. We also note that interoperability is a key issue and is one of the areas of focus for the ATG working group for the industry. ORR will continue to monitor developments as part of its ongoing monitoring role.

RDG accreditation

11. In September 2018, RDG provided nine commitments to improve and simplify their accreditation process, and encourage new entry. These commitments were published alongside our update paper.[4] The commitments are aimed at making RDG accreditation processes more effective and efficient for 'Third Party Retailers', Retail System Suppliers and RDG. They aim to create an environment that makes it easier for new entrants to enter the market with new ideas in both retailing and technology.

12. We have monitored the delivery of these nine commitments against the target dates in regular reviews with the RDG accreditation team. RDG have formally outlined the progress they have made to date in letters dated 23 January 2019[5] and 13 March

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[3] The slides from the workshop are attached at Annex B
[4] https://orr.gov.uk/__data/assets/pdf_file/0011/38999/orr-market-study-letter-of-commitment-from-rail-delivery-group-2018-09-13.pdf
[5] https://orr.gov.uk/__data/assets/pdf_file/0010/40312/market-study-into-the-supply-of-ticket-machines-and-ticket-gates-january-2019-discussion-paper-annex-b.pdf

2019[6]. We asked stakeholders for their views on RDG's delivery of the commitments and received five responses.

13. To date, we are satisfied that RDG have delivered seven out of nine commitments. Since the commitments were agreed last year, a number of adjustments to scope have been made.[7] The main change involved introducing an ongoing continuous approach to accreditation rather than a retrospective one.

14. The evidence provided by RDG and that we collected from key stakeholders suggests that RDG accreditation is now less complex for both potential new entrants and existing retailers. Stakeholders have specifically praised the removal of the mandatory three-year accreditation that was both time consuming and expensive, and a move towards ongoing one-year accreditation instead.

15. The evidence further suggests that prospective rail retailers and Ticket Issuing System[8] ("**TIS**") suppliers find it easier to enter the market due to increased assistance available from RDG, and clearer information available from RDG website. We outline the commitments and the progress to date in Annex C. We have also included a letter from RDG setting out its progress at Annex D.

Next Steps

16. We will continue to monitor closely the delivery of our recommendations and developments in competition and innovation in these markets. We will provide a further progress report in one year's time.

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[6] https://orr.gov.uk/__data/assets/pdf_file/0003/40629/market-study-into-the-supply-of-ticket-machines-and-ticket-gates-2019-final-report-annex-a.pdf

[7] For details, please see ORR Discussion Paper, January 2019: https://orr.gov.uk/__data/assets/pdf_file/0014/40325/market-study-into-the-supply-of-ticket-machines-and-ticket-gates-january-2019-discussion-paper.pdf

[8] Ticket Issuing System is a broad term describing (typically) software that is, in essence, the 'brain' of a sales system. It interacts with RDG software and systems, to power a consumer facing retail channel e.g. a website or a TVM.