

East Midlands Trains  
1 Prospect Place  
Millennium Way  
Pride Park, Derby  
DE24 8HG

Siobhan Carty  
Project Coordinator & Engagement Strategist,  
Competition & Consumer policy  
Office of Rail and Road  
3rd Floor, One Kemble Street  
London  
W2B 4AN

21 September 2015

Dear Siobhan,

## **East Midlands Trains (EMT) response to the Office of Rail and Road's (ORR) Retail market review**

After detailed consideration of the Emerging Findings document and considering the issues raised at the workshop dated 7 September 2015 and in parallel with our comprehensive involvement in the generation of the ATOC response, East Midlands Trains wishes to offer the following response, which should be considered alongside the overall ATOC response.

### **Question 1: Do you agree with our description of the market for ticket selling?**

EMT broadly agrees with the ORR's description of the market for ticket selling. It is a complex mixture of collaboration and competition between TOC's and third parties, however we concur with the views expressed by ATOC that the nature of the regulatory framework, which was set in place following rail privatisation, needs to be considered as part of any review as without changes to this framework, the market cannot evolve fully, as this framework influences so much of what the industry does and does not do.

### **Question 2: Do you agree with our emerging findings with respect to passengers' ticket buying experiences regarding their choice/ability of a) retailer/sales channel; b) how they buy their tickets; c) their ticket format; d) the range of tickets; and e) opportunities to find cheaper prices?**

EMT again broadly agrees with the ORR's findings and our experience and viewpoints mirror much of those detailed within the ATOC response. EMT, as in the main a Long Distance Operator, sells tickets via a plethora of sales channels, made up of a mix of our own direct channels and third parties. Customers welcome the choice and purchase via a wide mix of said channels and this is borne out by our channel share results, which replicate those seen nationally. Like much of UK Rail, EMT has, in recent years, seen a channel shift towards non traditional retail outlets with a migration of transactions away from station ticket offices towards online sales and those offered by Travel Management Companies (TMC's) in the case of large corporate business customers.

EMT works closely with third party retailers such as ATOS, the Trainline and Asseris as well as the multitude of TMCs, and in many cases we have bilateral agreements in place with them. Such relationships are crucial in developing markets to help grow EMT's business as a carrier.

The EMT ticket range mirrors the National UK Rail network, with standard ticket types and naming conventions. This is in line with the 2008 industry's simplification programme, which was driven out of stakeholder and customer feedback.

### **Question 3: What are your views on the emerging findings that TOCs' incentives to introduce new fares and products are somewhat limited? What are your views on our suggestions around DfT's role and, more specifically, the role of franchising? What are your views on our proposed recommendations that improvements be made to the industry processes to make it easier for TOCs to introduce new fares or**

**products? Specifically, do you agree that this should be taken forward now, as a matter for TOCs and governments?**

EMT agrees that TOC's incentive to introduce new fares are limited, however this inhibition is in part due to complex regulatory framework and in some cases prescriptive franchising specifications. A significant number of fares within the EMT franchise are impacted by fares regulation and as such the ability to alter these products is severely limited. Notwithstanding this, EMT has a strong track record of developing innovative, customer focused, yet commercially driven ticket types, particularly through partnerships with other transport operators, such as with Nottingham Tram and Trent Barton Buses amongst others.

**Question 4: What are your views on the role TIS machines play in enabling TOCs to differentiate the way they sell tickets to passengers? What are your views on the appropriate response, in particular around the balance between providing the TIS market with more direction about the design of TIS machines and in facilitating choice?**

Our views broadly echo those detailed within the ATOC response, and as a long distance TOC with over one third of its sales made via websites, with the majority of these made via websites of third parties, we know customers choose their retailer based on simplicity of usability, as is the case throughout e-commerce in other sectors. A poorly designed website will lose customers to those which have greater usability. Centrally specifying this would limit innovation and provide dis-benefits to customers by limiting their choice and we would not seek this. It is our view that customer desire should drive the design of retailing, and a centralised model is not the right answer. A centralised model for settlement however is absolutely critical and Rail Settlement Plan currently fulfil this role for the entire industry; both TOCs and third party retailers.

The TVM market does, in our opinion, suffer from a lack of innovation and a wider choice of suppliers. As part of Stagecoach Group, we are looking to drive enhancements in our on train station ticket machines through our own business led development, however the short term nature of our franchise, until March 2018, means that investment decisions will mean the enhancements will take some time to permeate through to our network. We do believe that innovation is best delivered by the market, delivered following a deep understanding of the needs to customers, as opposed to tightly specified solutions. We can see the appeal of this centralised approach to some stakeholders, albeit this is not what other sectors have delivered and would not see it as the most desirous outcome.

**Question 5: What are your views on the possibility that the price of (permanent) fares could vary by sales channel? What are the merits of considering this further at this stage?**

EMT agree with the ORR findings on this within the context of simplification as well as in line with changing market trends and appetites. EMT has successfully trialled and adopted a small discount (£1) on the lowest online Advance fares aimed at the leisure market, through the East Midlands Trains website since 2009 which has allowed us to remain competitive in the market for web-sales. The primary reason for this has been to gain greater insight into our own customers' behaviour (as the web channel is the only non-anonymous sales channel in the rail industry) as those sales made through other third party web-retailers, such as Red Spotted Hanky and the Trainline remain anonymous to ourselves, as these commercial organisations seek to maximise their market position through better insight into their customers by building their own databases through increased sales.

EMT also provides passengers the option of purchasing via the Stagecoach Megatrain product, in order grow the market by providing inventory on quieter EMT services. This has been proven to grow the market by targeting new markets, such as non traditional rail audiences through differential pricing.

We, akin to ATOC's view that the regulatory framework and in particular the Ticket Settlement Agreement's (TSA) reluctance to stray from the original retailing framework, designed 20 years ago at the point of privatisation inhibits innovation and is neither reflective of modern retailing, customer desire nor the associated changing market trends.

**Question 6: 'What are your views regarding our emerging findings on the incentives potential and existing retailers face in entering and expanding in the market? Specifically, what are your views around having an**

independent body overseeing the third party retailers' arrangements, including the identity of the body; or having greater transparency of retailers' likely costs and remuneration; on having a formal obligation on the relevant TOC governance bodies to consult on significant changes to the industry regime; and on having an appeal mechanism to enable a third party retailers raise a dispute?'

Our views reflect those detailed within the ATOC response and Stagecoach is a key player within both the ATOC Customer Experience Board and Third Party Scheme Management groups, which oversees the arrangement and governance which underpins these arrangements.

Our experiences of introducing private retailers to the industry, using ATOC Schedule 26 licences to allow retailers to manage existing station ticket offices at Mansfield and Oakham stations on our behalf, is an innovative approach and has been successful. However, making sure we operate with the regulatory framework has delivered two successful ventures in their own market and locality, but was and continues to be very time and resource intensive for us to manage. We are at this stage unsure as to whether this approach has widespread consumer benefits across the wider UK rail network.

**Question 7: What are your views around the industry could reduce the barriers smaller retailers face in selling rail tickets?**

As a commercial business and a carrier, EMT is very keen to see the process of retailing as simple as possible for the benefit of consumers and is and will continue to work with ATOC to grow the market for rail retailing, as referenced within the wider ATOC response.

**Question 8: What are your views around our emerging findings that there could be increased scope for third party retailers to compete in selling tickets? Specifically, what are your views that all retailers should have access to all fares and products? What are your views on retailers' ability to discount fares, and to what extent should retailers have access to these discounted products (at the cheaper price)? What are your views around third party retailers' inability to create new fares and products, and do you consider further consideration could be given to options that provide for a net pricing or something similar)?**

Our views with regards to retailers having access to the full range of tickets reflects that detailed within the ATOC response and we would be concerned about introducing greater confusion in fares and ticketing, as feedback from our customer and key stakeholders is that the current system is already too complicated, so we would be reticent to increase complexity, which may create a barrier to travel by rail.

We have noted in our response to Q5, the limited number of fares which are discounted on the EMT website, however, EMT does offer a number of specifically discounted fares to partners on a bilateral basis (as mentioned in our response to Q2) and also many of the TMC's we work with. These agreements are specifically in place to grow the market for rail amongst selected corporate customers, and allow us as a retailer and the carrier to work with a TMC and their customer to react to any changes in these individual customer's markets which may lead to the corporate customer's travel policy changes, which could negatively impact on rail demand. In addition, EMT (as mentioned in our response to Q6) is a participative member in ATOC's Third Party Management Scheme, as well as a member of the senior working group with directors of selected TOC's representatives of the TMC's.

**Question 9: Do you agree with our emerging findings that TOCs have limited incentives to collaborate with each other in the development of shared systems? To what extent do you consider that having an increased emphasis through innovation funding mechanisms of the role of an integrated national network (and this the role of shared IT systems) could address the issues? To what extent do you consider that a strategy, led by government with input from across industry, on future ticketing can play a role?**

Our views replicate those detailed within the ATOC response.

**Question 10: What are your views, as a possible longer-term option, to consider relaxing the obligations on TOCs to facilitate a fully integrated national network?**

In our response to Question 1 we feel the whole regulatory framework should be considered under any review, and our views on this question are broadly in accord with those detailed within the ATOC response.

**Question 11: What are your views on the role of third parties (including third party retailers, passenger representatives and technology providers) in the development of shared IT systems? To what extent could formal working groups address the issue?**

Our views replicate those detailed within the ATOC response and EMT, as part of Stagecoach, is widely represented on the various bodies and project boards, including RSP Modernisation Board which deliver these IT solutions.

In summary, EMT broadly supports the emerging findings of the ORR's Retail Review. However, we recognise that for many of these recommendations to progress there would need to be a fundamental review of regulatory frameworks for TOC's and retailers. We recognise that as long as the industry wishes to maintain the very nature of inter operability and inter availability (which we support), then a regulatory framework that was established two decades ago, broadly before the internet (for example) was used in anger for retailing, needs to be reviewed in order to move this debate on somewhat. EMT and Stagecoach would welcome the opportunity to be part of such progressive discussions.

Yours sincerely



Neil Micklethwaite  
Customer Experience & Commercial Director