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Dear Ms Carty

Response to initial Office of Rail Regulation's 'Rail Retail Market Review' call for evidence

FirstGroup is pleased to respond to the initial Office of Rail Regulation's 'Rail Retail Market Review call for evidence. FirstGroup is the UK's largest rail operator carrying over 300 million passengers a year. We operate the following inter-city, regional, commuter and open access train operating companies (TOCs): First Great Western; First ScotRail; First Capital Connect; First TransPennine Express; and First Hull Trains.

FirstGroup's TOCs are all members of the Association of Train Operating Companies (ATOC) and as well as compiling this response, we are also part of the ATOC working group providing an industry response on behalf of ATOC members. We fully support the ATOC response.

We have also noted the ORR's intention to engage with stakeholders over the next few months ahead of developing potential options to address the issues raised. This submission is, therefore, an initial response focusing on the ORR's questions. We are happy for this submission and our subsequent, more detailed submission, to be made public.

FirstGroup responses to the questions posed by the ORR

(1) What additional drivers (if any) of the review should be considered?

Our view on additional drivers is aligned to the ATOC response to this Review. Consideration should be given to how the market promotes choice and innovation and delivers an experience which continues to meet ever increasing customer expectations. It should also assess the extent to which barriers to entry exist in the current rail retailing market for both existing and new market entrants.

(2) What is your view on the proposed scope of the review? What, if any, additional areas should be considered? What areas, if any, should not be considered?

The scope of the Review needs to be relatively wide. We fully support the argument for reform including proposals for a much simpler regulatory framework around retailing. This framework should continue to retain many of the current network benefits provided by 'through' and 'inter-available' ticketing. These network benefits, along with other features of the GB rail market (e.g. fares simplification, railcard discounts), offer real benefits to customers and increase overall industry revenue. However, they do not fit with a competitive environment in the purest sense. It is important, therefore, that any findings or recommendations which contradict previous policy decisions are raised for review up front.

The Ticketing and Settlement Agreement (TSA) has remained substantively unchanged since 1996. The constraints that it imposes on the market are significant; for example the limited ability of train companies to change ticket office opening hours or the ability to offer channel specific fares that better reflect the cost of sale. TOCs should be given more freedom to manage ticket retailing in a way that will bring down costs and incentivise even more investment in high growth channels.

(3) What features of the GB retail market work well? What features of the rail retail market work less well for passengers and industry?

The huge growth in passenger volumes over the last decade, and in particular those travelling on Advance Purchase products, do not suggest that the current GB-wide retail proposition is significantly constraining the market. Nevertheless, there are clearly areas of the market that have worked less well. Exploitation of new technology, particularly in ticketing, is one area where progress is slower than expected. Similarly the change in channel mix, while material, has been slower than anticipated, with the regulatory framework preventing a faster and more significant shift from station ticket offices to other channels, with important implications for industry costs.

(4) Are there examples of particularly innovative approaches from rail markets elsewhere or other sectors that could be relevant to the GB rail market?

There are a number of industries that have been more successful in their approach to innovation. Mainly this is because the industry concerned is significantly less complex and without the constraints that affect the GB rail market. Other European railways and light rail systems have arguably been better at exploiting new technology, in particular around ticketing, while the airline industry is worth considering as a comparative case study because of its regulatory framework.

(5) What are your views on the proposed timetable and approach to the review?

We agree with the proposed timeline.

We are happy to engage with the Review in whatever way is sensible and appropriate. Please feel free to get in touch if you wish to discuss any of the comments outlined in this initial response.

Yours sincerely



Hugh Clancy
Commercial Director, Rail