Independent Rail Retailers
11 Staple Inn
London
United Kingdom
WC1V 7QH

Anna Gillingham
House of Lords Built Environment Committee

19th August 2021

Dear Anna

Independent Rail Retailers — Evidence to the House of Lords Built Environment Committee

Thank you for responding to the email from Mike Richardson, one of our members. I have put the points he has made into this letter. They represent the views of all independent rail ticket retailers, and therefore of the IRR itself, and you are welcome to state that these are the views of both the IRR and its members.

1. There is a range of commission levels payable for online ticket sales (these rates equally apply to independent retailers and train operators retailing online):
    a. Public / consumer market, point-to-point tickets 5%
    b. Corporate market 3%
    c. Season tickets (to either public or corporate markets) 2%
    d. International market (excludes seasons) 8%

2. Tickets sold at station ticket offices, from ticket vending machines, or on board trains (in other words, by train operators) attract 9% commission, other than season tickets which still attract 2% commission.

3. Commission for corporate / B2B sales is lower because it was assumed by ATOC (as it was then) that Travel Management Companies all charged service fees to their clients, and could therefore receive lower commission - hardly encouraging revenue growth!

4. The IRR has argued with RDG / the TOCs that the 2% commission for seasons is not enough to make a profit - we would be selling most season tickets at a loss. In particular this has meant that most independent retailers have not been offering the new 'Flexi Seasons' product to their customers, contributing to the very modest overall industry sales so far.

5. Independent retailers do not tend to offer call centre sales, the main one is RDG's National Rail Enquiries

6. Out of their commission independent retailers have to pay RDG for accessing back end rail retailing systems, e.g. the central reservation system, the industry settlement system and the central database for Ticket on Departure (ToD) collection. Other charges from RDG / RSP include licence fees and management charges.

7. It’s worth noting no other transport operator either here in the UK or in the rest of Europe makes these charges on their third party partners. Both the IRR and individual retailers have asked RDG for a “rate card” of all these charges for transparency into their share of the total cost, but RDG have refused to provide this.

8. Independent retailers’ contributions to industry costs vary from under 1% to over 1.5% of their commission. The percentage of the commission increases with lower transaction levels; that is one reason there are so few new entrants into the retailing market.

9. There are also RDG charges for fulfilment, i.e. ToD and barcode costs.

10. There are charges for card authorisation and settlement.~

11. There are customer service staff and significant development costs. Independent retailers have to be (technically) innovative to compete and it’s worth remembering independent retailers provide the online retailing technology for most of the TOCs. It is independent retailers who introduce most of the innovation in retailing, e.g. it was Assertis and Trainline who led the way in introducing eTickets - they drove the process and product design.

12. All technical development has to be accredited by RDG at a cost of £1,000 per day; this applies to any change (including changes imposed by the TOCs!)

13. Just now a new reservation system is being introduced by RDG; independent retailers will have to pick up the cost of changing their applications and will have to then also pay for having their solutions accredited. The new reservation system is twice as expensive as the previous one, despite containing little extra retailing functionality (it was specified by the TOCs who focused on yield management, rather than on improving retailing)

14. After all these costs there is not much left as profit, which obviously every company is duty bound to make, and certainly nothing like the 2-3% the TOCs historically have expected to earn. This is why independent retailers have to charge booking fees, even though it makes them less competitive with the TOCs who often promote a “no booking fees” message. But this has not stopped independent retailers accounting for £2.2 billion out of the £3 billion+ consumer online ticket retailing market. The reasons are better technology, customer service and marketing; and, in the case of those that offer split ticketing, cheaper fares than consumers can find on TOC websites.

15. The IRR has long argued TOCs’ sales of each others’ tickets – where they earn the same commission as independent retailers – are cross-subsidised by sales of their own tickets where they obviously retain all 100% of the ticket value.

16. IRR members believe that, without booking fees and all the charges outlined above, many TOCs’ cost of online sales is more than 5%, more likely around 7%.

17. It should be noted that, under the EMAs currently in place due to the pandemic, all TOCs’ costs are being paid by the taxpayer, which is additionally paying a 1.5% service fee to the TOCs. If TOC online ticket retailing costs are really 7%, that would mean the taxpayer is paying 8.5% for online ticket sales by TOCs as opposed to the 5% payable to independent retailers.

18. Even if TOCs’ online cost of sales is 5% - which they claimed it was in the ORR’s Retail Review in 2016 – with the service fee on top those sales will be costing the taxpayer 6.5%. This is not good

value when independent retailers receive 5%.

19. The points made above are why the IRR has been making the point to industry stakeholders that the proposed new Great British Railways centralised ticket retailing website has to operate on the same commission levels as independent retailers receive (as above). That is how to ensure the taxpayer does not incur any unnecessary cost.

20. Having the GBR site operating on the same commission will have the effect of “levelling up” the retailing market as opposed to independent retailers competing against the current TOC cross subsidy model. Levelling up in turn is likely to lead to new entrants and the innovation they will bring which will ultimately benefit consumers.

21. The IRR does not believe the GBR Transition Team is thinking along these lines but it is essential they do so or there will be additional, unnecessary cost to the taxpayer.

22. Commission levels are set based on “efficient retailing”. GBR will also be responsible for setting commission levels but, if they can’t demonstrate they are an efficient retailer and operate at the commission levels they set, imposing those commission levels on independent retailers could be conceived as anti-competitive behaviour.

23. On that subject, what regulators have come to realise from looking into the market dominance within “Big Tech”, i.e. Google, Facebook, Amazon and Apple, is that it is very hard to break up monopolies and it is much better to stop them happening in the first place. Williams-Shapps with GBR is proposing setting up a dominant quasi-monopoly within UK rail retailing.

24. All other transport modes in the UK from Eurotunnel, Eurostar, ferries, buses, coaches and airlines are fully digital so are paperless and have been for years. The DfT set December 2019 as the target date for UK rail to be fully digital but this has not been achieved yet. It has almost got there largely thanks to the efforts (and funding) of the independent retailers.

25. For independent retailers paper ticketing or ToD is two and a half times more expensive than eTickets / barcodes to fulfil. This will be factored into ticket prices plus it means the taxpayer is paying more.

I hope you find this information useful. If you have any questions please do not hesitate to get in touch with either me or my fellow independent rail retailer Mike Richardson (mikerichardson@raileasy.co.uk). I would also be more than happy to represent the views of all independent rail retailers in your forthcoming oral evidence sessions on the *Williams-Shapps Plan for Rail: fare reform* in September.

Yours sincerely

Alistair Lees
Chair
Independent Rail Retailers

alistair.lees@assertis.co.uk
07980 865807

Independent Rail Retailers is an independent trade body whose members are Assertis, Atomised Cooperative, Click Travel, Commuter Club, Evolvi, Fast Rail Ticketing, MyTrainTicket, On Track Retail, Raileasy, Silverrail, Trainline, and Trip.com.