

Consultation response to *A railway fit for Britain's future - CP1269*

Independent Rail Retailers (IRR)

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Independent Rail Retailers (IRR), the representative body for third-party rail ticket retailers (TPRs) in Britain, strongly supports the Government's stated aim to develop a thriving, competitive rail retail market that delivers high-quality services for passengers. However, to achieve this, we believe a set of robust safeguards is essential to ensure the retail market remains open, fair, and investable.

Competition has transformed rail retailing and remains one of the truly commercial aspects of the rail system, helping to reduce the cost of sale, increase revenue and improve customer experience. Our members collectively contribute £5 billion annually to industry revenue by focusing private investment in making it easier to plan journeys, buy tickets and get the best value fares.

In the context of regulatory reform and private sector empowerment - as set out by the Chancellor as a priority for this Government – using this moment to create a competitive market for retail is a clear example of how public-private collaboration can contribute to economic growth. To ensure this continues long after the creation of Great British Railways (GBR), we have a unique opportunity to create a level playing field in retail through legislation and regulation. This will help to resolve existing challenges as well as reduce the risk of unintended consequences once GBR starts retailing, ensuring we collectively harness further investment in retail innovation which ultimately benefits customers.

1. Recognising the value of Third-Party Retailers (TPRs)

The Government's consultation rightly acknowledges that TPRs “**already add significant value to the retail marketplace**” and play a “**fundamental role in driving innovation and attracting more customers to the railway.**”

Over the past 20 years, TPRs have not only grown revenue, but reduced costs to the industry (and ultimately the taxpayer) and improved the customer experience. Passengers have a choice of where to buy their tickets, and TPRs' survival is based on their ability to grow revenue through attractive products and services and reduce the cost of sale.

The cost to the industry of tickets sold through TPRs is now lower than selling at stations and via Train Operating Company (TOC) websites. In addition, thanks to the commission model applied to TPR sales, over 95% of the value of each ticket sold passes back to the industry (and Treasury). **This means that for every £1 paid in commission to TPRs, £20 returns to the public purse.** TPRs have also funded capital investment on the railway through fulfilment charges, helping to drive positive change much faster.

These low margins drive TPRs to make efficiencies, seeking ways to lower the cost of sale further, attract new people to rail and encourage existing customers to travel more. Some of this activity focuses on specific markets underserved by the rail industry itself due to the need for specialist knowledge, such as business, international and event-based travel.

- **Customer-centric innovation:** TPRs attract and retain customers through superior digital experiences, choice, and convenience. Passengers freely choose independent retailers for the quality of their offer, and retailers target both niche and mass markets.

- **Cost-efficiency for industry:** TPRs pioneered lower-cost sales channels such as mobile ticketing, which now accounts for over 50% of industry revenue - significantly reducing distribution costs.
- **Capital investment:** TPRs have invested over £25 million into infrastructure such as gateline and handheld inspection technology - investment that would otherwise fall to the taxpayer.

This model benefits customers, the industry, and taxpayers whilst being free from the constraints of government funding cycles and conflicting priorities. Ticketing innovation is also a clear way that rail reform can contribute to the Government's ambition to make every department responsible for driving economic growth.

2. A need for clear safeguards to prevent anti-competitive behaviour

It is proposed that Great British Railways (GBR) will operate both as market operator and retail competitor, **making the risk of self-preferencing acute.**

This is not a theoretical risk: it is already an issue in the current marketplace, where there is no effective mechanism for tackling anti-competitive behaviour and licences have not kept pace with the evolution of products and services in the retail space.

Existing self-preferencing by Train Operating Companies (TOCs), includes:

- **Withholding products and services**
For example, Delay Repay claims cannot be processed by TPRs and Passenger Assistance cannot be booked when buying a ticket
- **Exclusive fare structures**
Various promotional and Pay As You Go fares aren't available to TPRs
- **Lack of data sharing**
Limited seat availability data is made available, and journey planning results are heavily restricted making it difficult to find the cheapest fare
- **Financial unfairness**
Loyalty and cashback schemes exceed earned commission rates

Putting TPRs at a disadvantage is not in the public interest, as it threatens to reduce both future competition and private investment – key elements that will drive revenue growth, reduce costs and improve the passenger experience. This would run counter to the Government's regulatory reform ambitions, which are focused on removing obstacles to private sector-led innovation and growth.

IRR was established to raise the profile of current issues in the market and to work towards establishing a level playing field for all retailers that will ultimately generate an enhanced retail and travel experience for customers. While we are proud of our contribution to a thriving retail market, there remains unresolved challenges that could further unlock substantial revenue growth and cost savings for TPRs and - in future - GBR.

IRR proposes the following safeguarding principles to address current issues and create a retail structure fit for a customer-centric future:

a. Separation

GBR Retail should be managed as a standalone function within the GBR group, with legal, accounting and financial separation. Operating independently from the operational and system oversight functions would help prevent cross-functional bias or anti-competitive behaviour.

This approach is adopted in France, through a separate retail entity, SNCF Connect.

b. No cross-subsidy

Controls should be in place to prevent GBR Retail operating at a loss, primarily by benefiting unfairly from upstream ticket revenue rather than basing behavioural and investment decisions on commission income.

As part of this it will be important to ensure retail is free from any changes to subsidy control legislation, as proposed for other parts of the GBR operation. Subsidies should focus purely on providing access to rail services where there is no commercial business case for competition. The retail market will continue to be a commercially successful part of the rail network and legislation should instead focus on ensuring a level playing field.

However, it is important that TPRs retain challenge rights for ad hoc or discretionary subsidies that could distort competition. We would advocate for a strengthening of the Subsidy Advice Unit (SAU) - part of the Competition and Markets Authority (CMA) - to have a mandatory role in reviewing GBR subsidies, with binding recommendations to mitigate distortions, as an alternative to private challenges by TPRs. This type of independent scrutiny aligns with the Government's approach to smarter regulation, focused on outcomes, growth and accountability. While our members have experience of successful legal challenges against RENFE (Spain) and DB (Germany) for anticompetitive practices, we would rather work to resolve problems more collaboratively to ensure the best outcome for all parties.

c. Parity of access

All retailers should have equal, non-discriminatory access to all fares, features, retail products, rail data and services. Commercial terms (commission levels and cost allocation) should also be fair and transparent, with **GBR Retail subject to the same conditions and operating on the same retailing licence as TPRs.**

d. Independent regulatory oversight

A legislative framework will be necessary – similar to network access – to ensure stability and investor confidence, and all retailers (GBR and TPRs) should have to operate under the same type of licence. Overseeing and enforcing compliance will need to be carried out by an empowered independent regulator to maintain market integrity and minimise the risk of legal challenges.

3. Competitive market principles must be baked in

While IRR welcomes Government commitments to support a thriving TPR market, **the effectiveness of these principles depends entirely on the safeguards put in place to enforce them.**

Rail reform creates the opportunity to reset the relationship between the public and private sector, setting out specific areas where the public interest is best served by competition (e.g. user experience), centralisation (e.g. fares databases) or collaboration (e.g. specification of new retail systems). This reform should reflect the Government's call for all departments to have a role in unleashing innovation that drives economic growth, as reiterated by the Chancellor. This will give stability and certainty for investors, and simplicity and consistency for passengers.

A changing environment

It is particularly important to address issues now as the rail industry migrates from a fragmented to centralised structure.

In recent years, the industry has been focused on cost control rather than revenue growth, and prior to that, Franchise Agreements were underpinned by Committed Obligations and train company-specific passenger income (driven by timetabling, marketing and customer experience). Many of the current promotional fares excluded from TPRs are from individual operators, with little impact on the overall market.

GBR will be more co-ordinated with a networkwide view, which will magnify the impact of decisions as well as allow longer term decisions to be made. Anti-competitive and self-preferencing actions in future will have a bigger impact.

Embedding the following principles in the future retailing framework will facilitate the changes required to allow TPRs to compete on a fair and open basis with GBR.

a. Fair and open market design

Reform can also address other ongoing challenges, such as the high financial barriers encountered by new entrants, the untapped potential within retail systems and the costs and complexity of accreditation. Legislation will help to ensure TPRs are more closely involved in decision making and while the separation of GBR Retail will put it on an equal footing as TPRs, helping to ensure the same issues/incentives drive decisions.

- A level playing field for all retailers.
- A market that is operated and governed fairly and transparently.
- A commercial structure that encourages growth, and competition.
- A stable and investable environment.
- A market engaged with the development of products and retail systems.

In short, a rail retail ecosystem that delivers on the Government's mission to back business and unlock growth across the economy.

b. Legislative and regulatory framework

The Government already recognises that GBR's role as network access controller necessitates new **statutory duties** to ensure fairness and transparency. The same logic **must apply to the retail market**, where GBR will operate a vertically integrated model with both upstream system control and downstream retail services.

Several areas highlighted as requiring legislation in network access (paragraph 3.21 of the consultation document) are analogous to the retail space, including:

- access rights
- information sharing
- performance and compensation regimes
- charging
- operating policies
- dispute resolution

An oversight group – potentially including IRR and GBR representatives – could propose retail-specific alternatives. TPRs should have much greater involvement in developing specifications for retail systems and in general retail strategy, and meaningful collaboration should be included within licensing legislation to ensure retailing decisions benefit from the widest range of expertise.

We support the proposal for many of the current RDG roles to pass to GBR, as part of its general revenue management responsibilities, including

- fares and ticketing systems
- setting of commission rates

The financial separation of GBR Retail will also allow for commission levels to be reviewed independently so that they reflect the true cost of retailing. As part of this, consideration may be given to developing new rates reflecting the different costs of sale associated with different products to ensure those retailers (GBR included) offering the widest range of products are appropriately compensated.

Licensing itself must be overseen by an independent body, not GBR, to avoid potential conflicts of interest caused by 'self-licensing' and regulatory breaches (highlighted in paragraph 5.4 of the consultation document).

All retailers should be subject to regulation, again from an independent body. We believe that the Office of Road and Rail (ORR) is the most suitable organisation to carry out retail licensing, as well as being the appeals body and regulator. Its new powers would include:

- development and operation of a Market Access Code
- robust and independent appeals function
- a new primary duty for the ORR to ensure / promote competition in the retail market

The purpose of regulation would be to create a streamlined model giving space for GBR to operate whilst ensuring that taxpayers' money is spent responsibly, and third parties are treated fairly. This would facilitate robust scrutiny while avoiding burdensome regulation – a key Government objective.

IRR strongly recommends:

- Proportionate **framework legislation** to embed non-discriminatory access and market governance principles.
- Extension of **ORR powers** to license and regulate the retail market, including:
 - A Market Access Code
 - Statutory appeals process
 - A primary ORR duty to promote competition in rail retail

4. Enabling a Better Retail Licensing Environment

All retailers need a clear, common mechanism for market access. The current licensing regime is outdated, overly complex, and not aligned with modern digital retail practices. With the legislative safeguards outlined above, it will be possible to **streamline and modernise the licensing regime** to better support competition and innovation on a level playing field for all retailers. GBR Retail operating on the same licence as all other retailers, overseen by an appropriate regulated market structure, will help drive the confidence needed to secure and encourage ongoing investment in digital retail innovation for the benefit of customers.

Developing legislation will help to ensure all participants are pulling in the same direction, creating positives for customers, taxpayers and the industry. Eliminating market distortions and unfair subsidies will help to create the stability and certainty required to facilitate long term investment from the private sector, whilst giving Government full visibility of retailing costs. This also ensures that taxpayers' money is used efficiently - another key commitment of the Government.

Conclusion

IRR supports a future retail market that offers customers choice, quality, and innovation. But for this to be realised, **safeguards must be embedded from the outset** - not bolted on as remedies for poor behaviour. The market must be *designed* to be fair.

The Government has already acknowledged the need for strong, statutory frameworks in areas where GBR holds both operational control and market interests. Rail retail must be no exception. Modern regulation of the rail retail market will not only safeguard customers and a level playing field for competition but also serve as a model of how smarter oversight can empower innovation, deliver better outcomes and support national growth priorities.

IRR urges the Government to enshrine these principles into legislation, regulatory structures, and GBR's governance model to ensure that the next era of British rail retail delivers for customers, taxpayers, and market participants alike.

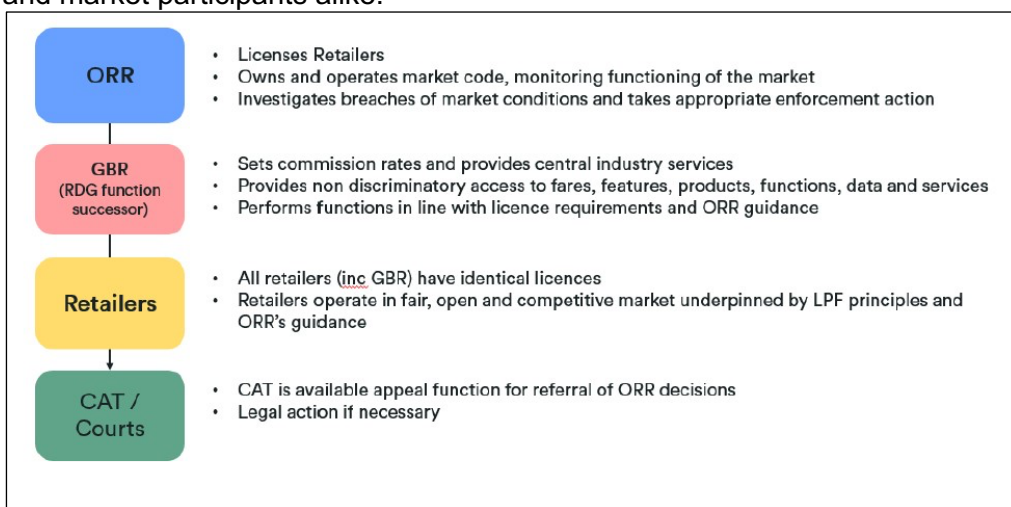


Figure 1: Simplified overview of retail structure

Independent Rail Retailers (IRR) is the membership body for Britain's third-party ticket retailers, consisting of Assertis, Atomised, Evolvi, Fast Rail Ticketing, My Train Ticket, Omio, OnTrack, Raileasy, Trainline, Trip.com and Virgin Trains Ticketing.