

Will Godfrey
Director, Economics, Finance and Markets



By email

13 December 2024

Dear station operators and railway station catering providers

Implementation of railway station catering market recommendations

On 16th June 2024 we published our [final report](#) of a market study on the railway station catering market. Our report made recommendations to station operators (including Network Rail), Network Rail (as a landlord) and the Department for Transport (DfT).

We have since invited all parties to whom recommendations were addressed to submit a response. We said we would use the responses to monitor progress against the implementation of our recommendations. This letter summarises responses to the consultation and describes the next steps to implementation.

We are grateful to all of those organisations and the Rail Delivery Group (RDG) for their work over recent months to consider the recommendations and give their response.

We are copying this letter to colleagues at DfT. We welcome DfT's recognition of our work in this area to ensure the market for railway catering provision works for passengers, providing them with choice and value for money. We believe a joined approach would be more efficient to support a better functioning market.

The Government's rail reform agenda provides an opportunity to create a more competitive railway station catering market. There are also steps that can be taken in the short term that will bring about benefits for consumers before rail reform takes effect; and we would expect Great British Railways (GBR) to carry on implementing the remedies from the market study that would fall within its remit. If opportunities to generate competition from the tendering of units approaching the end of their term in the coming years are not taken, the restrictions on effective competition will last beyond the creation of GBR.

Additionally, whilst we recognise that station operators are working within a constrained funding environment, we believe that much can be achieved within these constraints, recognising the value of longer-term benefits in terms of rental income and passenger satisfaction that a more competitive market will deliver.

Remedy 1 – Protected leases

We welcome confirmation from station operators that no new protected leases will be signed and that existing protected leases will be terminated when commercially viable. From the data supplied to us we believe that at least 18 protected leases will reach the end of their term in the next five years. Our expectation is that station operators will have already started identifying opportunities to oppose renewal of these leases using the grounds provided in the Landlord and Tenant Act (e.g. redevelopment) or to have started developing strategies to negotiate termination with the tenant.

The Law Commission has published [its consultation](#) considering how the right to renew business tenancies, set out in Part 2 of the Landlord and Tenant Act 1954, is working. The consultation is open until 19 February 2025. We welcome confirmation from station operators that they will respond to the consultation and offer our assistance if required. We have also committed to responding to the consultation.

Remedy 2 – Competitive tendering

We welcome the commitment by station operators to adopt a presumption in favour of competitive tendering, noting that they may not tender if they believe there is a greater customer or societal benefit by not doing so. We believe that increased competition benefits society and consumers by delivering better value and quality, and we expect that station operators will take this into consideration when deciding whether to competitively tender.

We concur with station operators' concern about the potential adverse impact on small and medium enterprises. Our analysis suggested that those units that had been in the same hands for long periods (and which would benefit greatest from competitive tendering) were most frequently let to large/national brands.

We also welcome the recognition by station operators that using agents to market properties should not always be the default and that alternative practices already used by some TOCs will be explored.

We were clear that we believed a tendering rate of 5% was too low and we wanted to see a significant increase. We believe that if station operators implement all of the changes they have committed to above, we will see a significant increase in the rate of tendering. We do not consider there to be an ideal rate of tendering but we are aware that the rate at some stations is as much as 20% and evidence from experts suggests tendering rates are much higher in equivalent markets. We therefore consider a rate of at least 10% should be achievable but that the maximum benefit will be delivered by tendering prime units that have been occupied by the same tenant for extended periods.

As stated in our final report, we anticipate monitoring the level of retendering of outlets at the point of lease expiry as part of our next periodic review, PR28. We are going to launch the work to develop relevant indicators, and we encourage station operators to consider their own approach to monitoring tendering rates.

We welcome station operators' commitment to market units on a fully transparent basis by making details available online and through posters/"To Let" boards. We note station operators' concern that advertising more widely might generate significantly more enquiries and the need to balance this against station operators' previously-given evidence that they have experienced difficulties in generating interest due to perceived complexities of operating in stations. We remain of the view that advertising all opportunities in one place would be more cost effective than when done individually as suggested. We also consider it is something that could be easily achieved by the three agents station operators currently employ to manage opportunities for outlets in railway stations.

Station operators did not respond to our recommendation to make available not only the details of vacant and imminently vacant premises, but also the future pipeline of opportunities. We will liaise with station operators to secure their support for this measure.

Remedy 3 – Consumer and market insights

We acknowledge the work of RDG to develop a new Rail Customer Experience Survey. We agree that such a survey is a big commitment, and ORR is supportive of the multi-agency work across the rail industry to develop and deliver an improved survey of customer experience on the rail network. We believe it is critical for station operators to play a prominent role in designing the survey, for instance by specifying the information they need to collect from passengers to inform their choices of tenant.



Remedy 4 – Simplification and standardisation of contracts

We welcome the work already done by Network Rail to remove certain lease terms and work with their solicitors to ensure they accept more flexibility and reduce the need to refer cases back to Network Rail. We recognise that the lease template was changed recently (two years ago) to address similar problems to those we raised and that perhaps the benefits of those changes are still materialising. We encourage catering companies to let us know if they continue to experience unnecessary delays and legal costs that have not been resolved by the new approach.

We welcome station operators' commitment to increase support for tenants but note that station operators did not respond to our specific suggestions to consider the use of financial incentives such as turnover based rents or to grant tenants licences to enable them to occupy shared spaces beyond the curtilage of their lease.

Remedy 5 – Strategic direction

We welcome DfT's recognition of our work in this area and its agreement to continue working with us to ensure the market for railway catering provision works for passengers, providing them with improved choice and value for money.

In particular, we welcome DfT's ongoing commitment to providing steer, including through participation in industry working groups, such as the Stations Strategy Group (SSG). We recognise that the Government's rail reform agenda brings about some uncertainty, but we do not believe that this should delay implementation of our recommendations. Strategic direction from DfT will be critical for station operators and catering companies to commit to implementing changes.

We acknowledge DfT's concern about the potential impact on small and medium enterprises (SMEs) and call upon station operators to have consideration for SMEs when evaluating their strategy for increasing tendering rates.

Yours sincerely

Will Godfrey

CC: **Rebecca Hall**, Deputy Director, Stations Experience and Accessibility,
Department for Transport

Richard Evans, Head of Policy, Rail Delivery Group