

Worldline Submission to Williams Review – 31st May 2019

Introduction

Worldline is a European Payments company headquartered in Paris whose vision is to 'Power the Cashless Society'. Worldline evolved out of Atos which is a global Digital Services company providing technology solutions in many markets in many geographies around the globe.

Worldline in the UK also provides significant services to the UK rail industry and through various mergers and acquisitions, is today the holder of what was British Rail Business Systems (BRBS), this includes over 150 employees who are members of the British Rail Pension Scheme. We, as a truly private sector business, must manage the future Railway Pension Scheme commitments with the similar long term funding challenges that will affect Train Operating Companies (TOCs) and Network Rail.

The services Worldline provides to the UK rail industry span the breadth of TOC retail, Third Party Retail, TOC Operations, Network Rail Operations, Rail Safety and Standards Board (RSSB) systems, Human Resource Payroll systems and Rail Delivery Group (RDG) systems, specifically LENNON and Settlement of all 'farebox' revenue.

Worldline through our various incarnations has been providing these systems to the UK rail industry since the invention of computerised technology and its implementation by British Rail in the mid-20th century.

Facing Reality

Worldline believes it is time for the UK rail industry to face the reality of the impact of digital technology in the second decade of the 21st century.

Transport is one of the few markets in the world that trades in 'time'. Selling a Time Promise. This is the fundamental and core business of UK rail whether it is for people or products. The Transport market, unlike no other, provides a complete dichotomy between ambitious private sector service delivery whilst working with over bearing public sector control through regimented and out of date contractual principles, frameworks and requirements.

In order to present a forward-looking position to UK citizens the UK Rail industry has started using the word 'Digital' on many initiatives to the point where we now have a 'Digital Railway'. The increased use of 'Digital' sets high expectations of simplification in ease of access for customers, creating cost efficiencies for Train Operating Companies (TOCs) and long-term investment strategies for infrastructure providers and train builders that accelerate their return on capital spend. If only the world was that simple, and if only all rail stakeholders and users embraced digital technology at the same pace!

The UK rail industry is still governed by 'rules of the route and road' created from a Thatcher government that is nearly 30 years out of office while the rest of the world has moved on, bringing change to multiple markets, benefits to customers, cost efficiencies and better investment strategies and returns.

In our opinion UK rail is still stuck in the 19th Century. The franchise model disincentivises true long-term investment, the inherited millstone of legacy cost structures drives protectionist behaviour and the ability of TOCs to charge customers prices that outstrip household income growth is an unrealistic position from the dark ages.

We believe that the UK rail industry suffers from the following five major issues:

- **Monopoly Structure:** The UK rail market is a monopoly, with the exception of the supply chain. TOCs are not true standalone businesses. In our experience they behave as contract delivery vehicles for the public sector where the reduction in contribution from the public purse has stifled innovation and has seen many, many delivery failures of commitments by TOC Owning Groups. Network Rail, again, is a contract delivery vehicle through the 5-year Control Period cycle, manging the budget from the treasury for the infrastructure. The UK rail industry is not a truly private sector competitive market, how can it be when a TOC can generate revenue from turning an 'empty stock move' to a 'passenger service' without even needing to have one single person pay to ride the train? Which other market in the world allows the ability for revenue generation for doing nothing? The 'pressure on price' to win franchise competitions has created a ripple effect which has had negative impacts on franchisees, Network Rail, Train Builders & ROSCOS, people employed by the rail industry, suppliers and most importantly customers. Our experience is that this directly drops to procurements for technology where price/commercials are the significant part of evaluation which leads to suppliers bidding on a false metric where value is not encouraged or created.
- **Fear:** Due to the ever-increasing pressure put on both Network Rail and Franchise competitions to provide 'more for less' fear has rapidly taken hold across the industry. Thus, fear manifests itself in strikes, wage strangulation, business failures, delivery failures and 'Daily Mail' front page syndrome. Our dealings across the industry have this constant implicit undertone in everything we do, the industry is always looking for 'someone to blame'.
- **Legacy:** The world we live in is constantly changing, technology plays a huge role in the pace of these changes, it is challenging and exciting and there is nothing that we can do to stop it. The industry lives on legacy, as mentioned above we are BRBS, some of the systems we run for Network Rail are still exactly the same design and technology as when they were built in the 1960's. Furthermore, LENNON is based on the Railway Clearing House rules from 1842. The timetable planning process is the same it always has been, the Ticketing and Settlement Agreement is the same as it has always been. The legacy processes and technology has stifled the industry in a period of human existence that has seen the fastest period of change in the way we exist. Our work has seen us propose to Network Rail and RDG to revolutionise their systems for the 21st century, our proposals and approaches have been declined to date in favour of over bearing, beurocratical siloed and pre-meditated procurements.
- **And not Or:** We truly believe that in order not to become another example of a business slow to recognise change, like Blockbuster, the industry needs to follow in the footsteps of the retail pioneers who realized that 'and' is far better than 'or' to drive value, profit, satisfaction, simplification and loyalty from their customers. Today it is our view that the industry does not do 'and' it does 'or'. This is due to the Monopoly Structure where contract management is the primary activity for the industry. We have many examples of proposed 'ands' and would be more than happy to share with your review team.
- **Risk:** Everything in life has risk but failing to act because of perceived risk is actually the riskiest strategy anyone could go for. UK rail does not take risks. The message pushed, the many thousands of hours per annum invested in 'risk management' is all done for one

reason, to avoid taking any risks or to 'earn more wooden dollars' whether this is through Revenue Claims via the Ticketing and Settlement Agreement or Schedule 4/Schedule 8 of the Track Access Agreement. The reason for this, in our opinion, is the Monopoly Structure and the contract management philosophy which has become the scourge of the industry in the last decade. We, as a pure private sector business, take risks on a daily basis. The risks we take are understood and to the best of our ability managed but we have to take them just like any truly commercial business as we have to compete in our market in order to grow. UK rail does not have this dynamic to deal with, so takes no risks.

We believe the five issues above have to be faced head on if the future for the rail industry is to remain relevant, providing nationally critical services that deliver the Time Promise and power the UK economy through the fundamental part of UK infrastructure that the rail industry surely is. It is now time to be brave and face these issues.

Moving Forward

Worldline believes that the destruction of Monopoly Market dynamics aligned with a system that not only allows for but positively encourages long term investment by all stake holders will see UK rail move forward.

The application of the Digital World to the microcosm of UK Rail must start from a blank piece of paper and not be attempted through massaging existing principles and legacy process whilst maintaining legal obligations conceived in the 1980's. We must avoid delivery of 'Digital Same'.

We, at Worldline, are no different. We are the Railway Clearing House through British Rail Business Systems. We are responsible for maintaining some of the 'rules of the road' across both commercial and operational process and systems that were created in 1842. We were paralysed by fear.

We have changed our business model to be openly collaborative with business who were traditionally competitors, make investments without looking for guaranteed returns and restructured our teams to ensure we continue to evolve and grow in the world of today.

We are a payments company that develops, delivers and invests in major systems and services that allow for the movement of money and data between billions and billions of people and millions and millions of businesses every year. We have eaten ourselves from the inside out, we have shed our old skin through the adoption of the digital age following the lead of the FANGs.

When we look at the world we live in and, from a digital perspective the FANG's (Facebook, Amazon, Apple, Netflix and Google), we want that innovation in our markets, industries and business just as it has been injected into our personal worlds. In our case we want to bring it to UK Rail.

We welcome the approval of the Rail Sector Deal by the Government in December 2018 which along with the Williams review will allow for, excuse the pun, a root and branch revolution of the UK rail industry.

Our view is that there are two critical focus areas to bring digital capability into UK rail:

- Customer Experience
- Punctuality by which we mean 'right time' not 'on time'

Customer Experience

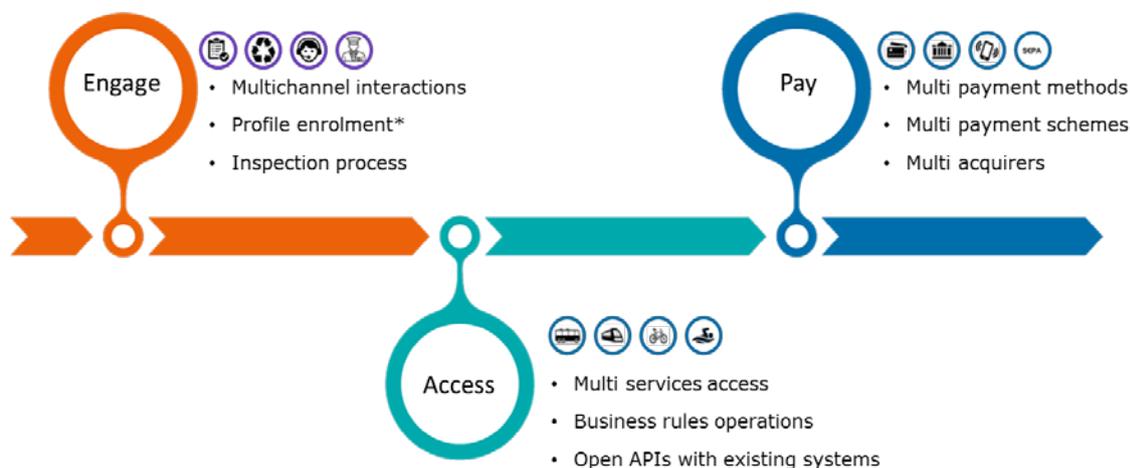
The sale of the Time Promise.

Consumers demand more and more from service providers which means business models need to change, we welcome the Fares Reform announced by Rail Delivery Group in February and look forward to seeing the implementation of the recommendations. But in our opinion, 5 years is too long to wait for those improvements. The digital technology exists today to deliver change, again fear is running wild and preventing change especially when it comes to 'revenue allocation' and the use of the Operational Computerised Allocation of Tickets to Services (ORCATS). This was invented by British Rail in 1980, we still run the mainframe system that calculates the answer on the same code that we built in the 1982.

Our investments in payment technologies across the globe has brought us the capability to provide solutions to the industry that would remove the need for ORCATS, the data exists to finally get to the holy grail of understanding exact revenue by train. With the implementation of RDG's Fare Transformation recommendations would be even simpler. Transport is a major market for us, we continue to invest in payment systems that would replace traditional ticketing systems and revenue allocation systems.

In addition to payment we also have the capability to support the industry in opening data sources to allow for improved communication to customers during times of disruption, we have built a Facebook Messenger and Alexa robot who can advise on timetables and recommend journey changes.

We have solutions deployed that cover multiple modes of travel and multiple services, this is part of the Mobility as a Service (MaaS) story, but we truly believe that to deliver anything near the theory of MaaS it will require significant collaboration between many, many parties.



We would welcome evolution of the investment strategies in the industry allowing for true private sector companies to invest over long-term timescales without the fear of being caught in the franchise cycle where innovation is delivered in fits and starts. We have provided to both RDG and DfT a proposal to implement contactless EMV ticketing across the whole network, to date we have not had one response to explore this offer. We worked with First Group on ITSO Host Card Emulation for Android Wallets, under pressure from DfT we built the solution and put it live only for the trial to fall flat as Transport for London (TfL) and DfT could not agree on the process for entry into the TfL network.

For customers our ambition is clear, make it simpler to access UK rail and more people will travel.

Punctuality

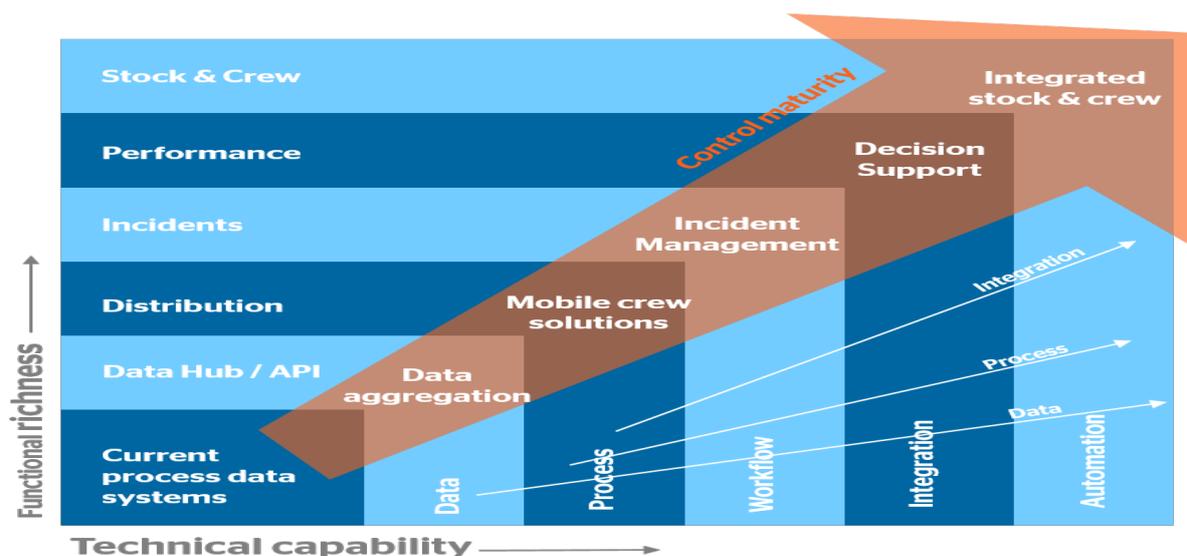
The delivery of the Time Promise.

As we consider the next five years, our view is of a short time in the long evolution of the rail industry and its safe operation, marked by incremental improvement and a strong desire to learn from incidents. Five years is a very long time in the ever-accelerating evolution of digital technology, marked by dramatic change, crossover capability and an explosion in capacity. Bringing these paradigms together in a successful migration path of digital change in an operational world is a challenge.

We, again, will focus on the data aspect of train service delivery, punctuality and ultimately the Time Promise.

We believe that to have an effective railway we must start at the beginning and use the data available to plan long term timetables which then evolve over time as capacity through either paths or stock increases. The customer does not care about 52 week 'planning cycles', the data exists to make this process much smoother across all parties. Once the timetable is planned the delivery of it has to be improved, in our opinion this can only be done through the alignment, interfacing and cross analysis of traffic, stock and crew data. We do not believe in 'optimisers' that only optimise one TOCs timetable, we believe that through digital technology the industry has to be more collaborative, dare we say follow the lead of the retail part of the industry and work with partners, suppliers and more importantly each other to drive change.

Our investments continue in our operational control systems where focus is on improving the usability of our systems whilst ensuring that working with and interfacing to them becomes more and more simple. In addition we are working directly with partners who in times gone by would have been seen as competitors as well as academics to prove our theories and support the building of true decision support capabilities that look at the whole not the sum of the parts.



For service delivery our ambition is clear, we want to support the digital transformation of the railway to push towards the delivery of the right time Time Promise.

Recommendations

Our submission to the Williams Review will end with what we would propose as recommendations from our perspective to deal with the issues we have highlighted and the priorities we have detailed for progress:

Issue	Recommendation
Monopoly Structure	<ul style="list-style-type: none"> - Simplification of entry criteria for franchise bidders bringing more competition into the process - Removal of timetable dictation by Department for Transport (DfT) allowing for commercial creativity to deliver the needs of the market and customer benefits - Extension of Control Periods from 5 to minimum of 10 years allowing for significant investment acceleration based on longer term horizon bringing customer benefits
Fear	<ul style="list-style-type: none"> - Removal of draconian fines for Franchisees on Committed Obligation delivery failure allowing for flexibility to invest efficiently once they understand what they actually won - Removal of 'cap and collar' thresholds allowing Franchisees to retain value generated but with regulatory change forcing re-investment for customer benefits
Legacy	<ul style="list-style-type: none"> - Regulation variation to force constant evolution of processes allowing for value generation for customer benefits - Regulation variation to force adoption of the Government approved Industrial Strategy through the Rail Sector Deal - Removal of Railway Clearing House rules, Ticketing and Settlement Agreement, Schedule 4 and Schedule 8 structures that promote internal industry infighting. - Cross industry task force to define and manage the long term risks posed by maintaining the support critical legacy systems in the future.
And not Or	<ul style="list-style-type: none"> - Inclusion in Franchise bidding and Control Period strategies of Mobility as a Service inventions, partnerships and investments for customer benefits
Risk	<ul style="list-style-type: none"> - Re-calibration of contribution from public purse allowing franchises to earn a fair return for increased risks proposed allowing for a true innovation lead strategy - Alignment of franchise time periods allowing for change to be implemented consistently across the industry through the combined investment strategies at an industry level bringing customer benefits faster - Flexibility in both Franchise Agreements and Control Period Agreements for 'change' to be made equitably for customer benefits

Priorities	Recommendations
Customer Experience	<ul style="list-style-type: none"> - Make it simple and frictionless for customers to use the train - Integrate with mass market technology platforms to drive

	<p>demand and provide information</p> <ul style="list-style-type: none"> - Utilise the data harvested to deal in fact not fiction for future innovation - Create regulation that encourages risk taking
Punctuality	<ul style="list-style-type: none"> - Align infrastructure and TOC/FOC operations from long term planning to on the day delivery - Allow Network Rail to be the Responsible party for creation of the industry timetable and not the DfT - Utilise data harvested to improve decision making in times of disruption for faster service recovery - Create regulation that encourages risk taking

The above recommendations have been created from the perspective of a long-term supplier to the rail industry, our input to your review has not been done to meet our own needs but to provide context from a supplier's perspective to the major issues which have a knock-on effect on the supply base.

Should you wish to discuss in more detail please to contact us.

James Bain

Global Director Transport

Worldline

James.Bain@Worldline.com

About Worldline:

Worldline [Euronext: WLN] is the European leader in the payment and transactional services industry. With innovation at the core of its DNA, Worldline's core offerings include pan-European and domestic Commercial Acquiring for physical or online businesses, secured payment transaction processing for banks and financial institutions, as well as transactional services in e-Ticketing and for local and central public agencies. Thanks to a presence in 30+ countries, Worldline is the payment partner of choice for merchants, banks, public transport operators, government agencies and industrial companies, delivering cutting-edge digital services. Worldline's activities are organized around three axes: Merchant Services, Financial Services including equensWorldline and Mobility & e-Transactional Services. Worldline employs circa 11,000 people worldwide, with estimated pro forma revenue of circa 2.3 billion euros on a yearly basis. worldline.com