



Public Transport Ticketing Schemes Block Exemption Review

Response of CPT

October 2010



CPT represents the operators of bus, coach and light rail networks in all parts of the United Kingdom. We have more than one thousand enterprises in membership, including all the major multi-regional operators and a number of smaller operators.

We have sought our members' views on this review by publicising it in our regular electronic newsletter and inviting contributions, and by discussions in meetings open to all members.

The review document notes the powers available to Local Transport Authorities under the Transport Act 2000. These powers have very seldom been exercised. The Quality Partnership Scheme mechanism in the Local Transport Act 2008 (arguably) made it possible for Local Transport Authorities to set maximum fares for the types of ticket covered by the block exemption. However, no examples have yet emerged of this particular power being taken up. The vast majority of products continue to be offered by operators on a voluntary and co-operative basis.

It has not been possible to acquire comprehensive sales data from our members, but it is our perception that sales of most of the ticket types have remained stable over the period since the last review. One notable, and encouraging, exception, is the sale of multi-operator travelcards as an add-on to rail tickets through the Plus Bus scheme. This scheme has enjoyed a major boost since it became possible to buy the add-on MTCs in conjunction with rail tickets sold on line.

Question 1

In light of a further period of working with the PTTS Block Exemption since 2006, do you agree that the integrated ticketing schemes indicated above provide economic benefits? Are there any other economic benefits that such schemes provide? Please note if your answers vary according to the different types of ticket covered by the PTTS Block Exemption and explain how they vary.

We believe that the schemes continue to provide economic benefits by enabling operators to devise attractive products for consumers that are simple to buy and competitively priced.

Question 2

In light of a further period of working with the **PTTS Block Exemption** since 2006, do you agree that the ticketing schemes indicated above, if they satisfy the conditions in the **PTTS Block Exemption**, do not impose on the undertakings concerned restrictions unnecessary for the attainment of the benefits described above? In particular, do you agree that fixing the end price for MTCs meets the indispensability condition, or are there other practical alternatives that would lead to equivalent benefits? For example, would alternative revenue sharing agreements that did not involve fixing a common end price for MTCs achieve this end? If you can envisage other practical alternatives, please describe these in detail.

To the first question our answer is yes. We believe that agreed prices are indispensable for MTCs in the sense that operators would not enter into agreements to sell them without being able to agree a price. We cannot envisage a practical alternative. There is a detailed discussion on some of the tensions in MTC price setting in the Competition Commission's working paper on ticketing published as part of its current inquiry into the local bus market.

Question 3

Are there additional features of these ticketing schemes that should be regarded as indispensable and without which the schemes could not deliver the benefits described above? Please note if your answers vary according to the different types of ticket covered by the **PTTS Block Exemption** and explain how they vary.

None have emerged during the period since the last review.

Question 4

In light of a further period of working with the **PTTS Block Exemption** since 2006, do you agree that a fair share of the economic benefits provided by the integrated ticketing schemes indicated above are passed on to consumers? If you have identified any additional economic benefits in your answer to question 1 above, do you consider that they are passed on to consumers? Please note if your answers vary according to the different types of ticket covered by the **PTTS Block Exemption** and explain how they vary.

This is a complex issue. We have not been able to conduct a meaningful analysis of the extent to which benefits fall a) to operators who are able to win custom from other



modes, and capture discretionary expenditure, by selling bus travel at a price / level of convenience that would otherwise be impossible to achieve and b) to consumers who pay a lower price, or enjoy non-price benefits for bundles of bus travel that they would have bought in any case. The fact that some MTC products, in particular, sell in very large numbers suggests that consumers are enjoying a benefit.

Question 5

In light of a further period of working with the PTTS Block Exemption since 2006, do you agree that the ticketing schemes indicated above, if they satisfy the conditions in the PTTS Block Exemption, are unlikely to allow the undertakings concerned to eliminate competition in respect of a substantial part of the services in question? Please note if your answer varies according to the different types of ticket covered by the PTTS Block Exemption and explain how it varies.

We have seen no evidence that compliant agreements have allowed operators to eliminate any competition.

Question 6

In light of a further period of working with the PTTS Block Exemption since 2006, do you agree that there is a risk that without the PTTS Block Exemption operators would not choose to participate in the above ticketing schemes, and especially in the establishment of new schemes? If so, do you have any evidence to support this view? Please note if your answers vary according to the different types of ticket covered by the PTTS Block Exemption and explain how they vary.

This is another question that is difficult to answer with precision. Schemes arise for a number of reasons. Some are rooted in passenger preferences, as expressed directly to our members and as articulated by bodies such as Passenger Focus and the Campaign for Better Transport. Others arise from the wish of tendering authorities to give passengers on their services a comparable deal to those who use commercial routes.¹ Whilst operators might enter into agreements for the biggest-selling tickets without the protection of the Block Exemption, it is unlikely that most of the smaller schemes would exist without it.

¹ For example, a through ticket from Horsham to Guildford can be bought on Sundays when a service operated under tender to West Sussex County Council meets the commercial service of a different operator in Cranleigh. On other days of the week, there is a through commercial service.

Question 7

Since the **PTTS Block Exemption** was extended in 2006, have any alternatives to the ticketing schemes covered by the **PTTS Block Exemption** developed that you think would provide greater benefits to consumers (leaving aside the issue of so-called 'smart cards', which are discussed in chapter 5 below)? If so, please describe these schemes and explain why they would provide additional benefits.

No.

Question 8

Do you agree with our assessment that it would be premature substantially to change the **PTTS Block Exemption** to accommodate new modalities of ticketing based on smart technologies while the way in which the commercial application of smart technologies operates is still relatively undeveloped and smart ticketing technologies are not widespread? If you disagree, please: (i) explain why you disagree; and (ii) describe the specific changes you consider should be made to the **PTTS Block Exemption**.

Yes. Conceptually, we see new technology (of which smart cards are only one example) as offering alternative means of collecting payment for single-operator ticket products and tickets covered by the Block Exemption. Although our members are beginning to think about agreements that would allow passengers to travel on several operators' services without deciding in advance which ticket product will best meet their needs (one of the features of London's Oyster Card pay as you go variant), it is too early to identify any potentially anti-competitive aspects of such agreements that would benefit from new clauses in the block exemption.

Question 9

Do you agree with our proposed recommendation to extend the duration of the **PTTS Block Exemption** for five more years, which takes into account the likely timescale for the developments in smart ticketing? If you disagree, what would in your view be the appropriate duration and why?

We think the recommendation to extend the Block Exemption, and the proposed period of the extension, are justified.

Steven Salmon
Director of Policy Development

Confederation of Passenger Transport (UK)
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