

Public Transport Ticketing Schemes Block Exemption Renewal

Response of FirstGroup Bus Division to Consultation Questions

This response is on behalf of the bus operating subsidiaries of FirstGroup plc.

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.

First believes that inter-operator and intermodal ticketing offers significant economic benefits. It permits passengers to make journeys by public transport more conveniently and, in many cases, more cheaply, therefore increasing the relative attractiveness of public transport over the private car. This has the effect of reducing traffic volumes, thereby reducing the harmful effects of pollution, and the need for increased road building and maintenance. It also in many cases makes bus service operation more efficient, allowing a greater proportion of off bus ticket sales and therefore reducing dwell time at bus stops, allowing higher frequency services to be provided with the same resources. The effects are demonstrated across all ticket types, but the greatest benefits accrue from Multi Operator Travelcards which represent the greatest market penetration.

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.

First believes that the Block Exemption as currently in force is fit for purpose and meets operators' (and indeed all stakeholders') needs. Considering the issue of the price fixing for the MTC, First believes that this is indeed indispensable as it is the only effective way of ensuring that there is a common price for a ticket which is valid for use on all operators' services, which in turn ensures a simple and consistent passenger offering. Also, without this, operators would be free to sell such products at any price they so desired, perhaps with the sole intent, where they themselves benefit little from the redistributed revenue, of reducing the overall revenue available to other operators participating in the scheme or otherwise 'gaming' the system.

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.

First does not believe that there are any additional indispensable features that need to be included within the Block Exemption. For the avoidance of doubt, participants within an MTC need to be able to redistribute the revenue from sales of such tickets and this provision must not be withdrawn.

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.

First believes that there are economic benefits that are passed on to the consumer. In particular, consumers benefit significantly from the convenience and value for money of such products (by gaining access to an expanded network for a modest price premium). Also, MTCs provide a further indirect passenger benefit by underpinning the economic viability of service operation, due to advance ticket purchases ensuring stability of revenue streams. PlusBus tickets, which are both MTCs and Add-Ons, also make the use of public transport for longer distance services a viable proposition, combining a trunk rail journey with local bus access at either end. All sales of such tickets help to provide the passenger with a sustainable network of services, funded by a reliable revenue stream.

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.

First does not believe that integrated or multi operator ticketing in any way adversely affects the ability of operators to compete within the market. The formulation of the Block Exemption and the pricing rules ensure the sanctity of operators' own single fares as the basis for all market pricing, and the condition of the Block Exemption that prevents any ticketing scheme requiring operators to relinquish operation of their

own ticketing products not only provides the passenger with the ticket they require at the price they want, without imposing any additional premium where multi operator ticketing is not required by that passenger, but also ensures that price competition may continue unfettered within the market.

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.

In many cases operators would be reluctant to enter into ticketing schemes, or would feel uneasy about their continuation, if the Block Exemption was not to be renewed. This is likely to apply in particular to MTCs, given that their geographic scope is often large and that they frequently apply to major local bus 'markets' where any form of agreement of pricing or of revenue apportionment would be considered to be a likely breach of the Chapter 1 prohibition in the absence of the Block Exemption. First has no evidence to support this view, given that all First ticketing schemes are Block Exemption compliant.

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.

The only example that First can identify is one which was the subject of a request for advice from the OFT some time ago. This related to the use of an MTC as a travel pass for third party organisations' staff, under a Green Travel Plan. First sought the views of the OFT on offering a scale of bulk purchase discounts to such employers so that they could offer discounted tickets to their employees, thereby giving them an alternative to car for travel to work. This also required safeguards to ensure that such tickets were demonstrably (by usage) MTCs rather than Multi Operator Individual Tickets (MITS). The advice received from the OFT was useful and enabled First to progress with such a ticket sales initiative; it would perhaps be useful for some guidance to this effect to be included within the notes accompanying the re-issued Block Exemption.

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.

The subject of Smartcard ticketing, and in particular the accommodation of “capped” products within the business rules of such new ticketing systems, is one which requires careful consideration. The Department for Transport’s (DfT) Integrated Ticketing Strategy promotes the adoption of Smartcards and indeed through the Bus Service Operator Grant payment system and payments to local authorities, the DfT is encouraging the adoption of ITSO Smartcard ticketing. It is, as yet, difficult to predict what will be the ultimate adoption of the various possible ticket products that the Smartcard platform is able to offer, and there is a danger that prescribing ticket types in the revised Block Exemption may follow today’s market signals which prove to be erroneous (as an analogy to the Betamax/VHS dichotomy). Therefore First believes that it is appropriate, given that the Smartcard is merely a platform onto which ticketing types, included those already defined in the Block Exemption, are loaded, that there is no further specific reference to Smartcards in the re-issued Block Exemption, and that operators wishing to develop new and innovative products and business rules that do not conform with the prescribed ticket types retain the option of an approach to the OFT for informal guidance in such cases. There remains an opportunity to form a legally permitted agreement between operators on ticketing where section 9 of the Competition Act is satisfied in such cases.

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?

First considers that an extension of the Block Exemption for a further 5-year period is entirely appropriate.