

Carlos Martínez Rico
PTTS BE Review
Office of Fair Trading
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

2nd Floor, One Drummond Gate
Pimlico, London, SW1V 2QY

w www.passengerfocus.org.uk
t 0300 123 0860 f 020 7713 2729
e info@passengerfocus.org.uk
direct 0300 123 0850
e anthony.smith@passengerfocus.org.uk

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Dear Carlos

Public Transport Ticketing Schemes Block Exemption Review

Competition and the passenger interest

Thank you for providing us with an opportunity to comment on the proposed extension of the ticketing block exemption to the Competition Act 1998.

Our broad position is that competition can benefit consumers. In many sectors, competition between providers of goods and services drives up standards, lowers the price to the consumer, stimulates innovation and offers choice.

More specifically, competition can benefit rail passengers and local bus passengers. It can result in a wider range of routes serving more destinations at more frequent intervals, offering higher standards at lower fares, and better value for money. The bus industry has argued that the private car (and to a lesser extent cycling and walking) also offer choices to the travelling public and competition to bus services. On rail a study by the Office of Rail Regulation on 'open access' operators shows that direct competition has led to downward pressure on fares and increased passenger numbers.

But competition can also work against the passenger interest. While having a choice of services can benefit passengers waiting at a bus stop, it can also add complexity, particularly by requiring them to check a wider range of information to understand the range of services and the terms on which they are being made available. Passengers may have to pay more to take advantage of additional choices. In such circumstances, cooperation between bus companies to offer an attractive integrated timetable of services with tickets and passes that can be used on each others' buses without a significant price penalty may be in the passenger interest. Similar issues apply to rail passengers, who value a co-ordinated timetable offering regular service intervals and good connections.



The views of bus and rail passengers

Passenger Focus' surveys of passengers' priorities (Bus passenger priorities for improvement and Passenger priorities for improvements in rail services, both published in March 2010) and satisfaction levels (National Passenger Survey and Bus Passenger Survey, both published in July 2010) represent the best starting point for an analysis of what different competitive regimes are delivering to passengers and whether they are working in the passenger interest.

In England (outside London) – the area for which we have statutory responsibility – bus passengers rate multi-operator ticketing as their fourth highest priority for improving services. This is a higher priority among passengers in metropolitan and urban areas, and in the South and Midlands than in rural areas and in the North, and a much higher priority for fare-paying passengers (4th out of 30) than those travelling on free passes (18th out of 30), who are essentially already enjoying the benefits of being able to get on the first bus that comes.

In a parallel survey of bus passengers in London (where, of course, there is extensive, smart, integrated ticketing) carried out on behalf of our sister organisation London TravelWatch, improving multi-operator ticketing came much further down the list of passenger priorities for improvement.

Bus passengers rated satisfaction with value for money in the fourteen areas we surveyed between 46% and 68%, a lower set of scores than they gave for any of the other satisfaction questions. Fare paying passengers rate the importance of improving value for money highly (2nd out of 30). This measures quality as well as price, but indicates that bus passengers are unlikely to be prepared to write a blank cheque in order to receive the benefits of multi-operator tickets.

Only 48% of rail passengers in England, Scotland and Wales are satisfied with the value for money of the price of their ticket; and they rate improving value for money as their most important priority. This is true for commuter, business and leisure travellers and in virtually every region of Great Britain.

We did not ask rail passengers about the importance of extending multi-operator tickets. In the bus industry, the 'default' position is that passengers are invited to buy a ticket for the services of a particular operator; they may have to pay extra if they want the flexibility of being able to use the services of another operator. In the rail industry, by contrast, the 'default' position is that passengers are offered a multi-operator ticket, but are free to trade away that flexibility in search of a cheaper ticket.

The benefits for passengers of multi-operator tickets

In principle, bus passengers want the simplicity and convenience of a multi-operator smartcard which saves them having to queue or to understand all available ticketing options, provided they can trust it to deduct the cheapest fare.



Operator-specific ticketing products, and their restrictions, need to be clearly described wherever they are sold. We do not have firm evidence about the extent to which this happens. However, we are starting to see a number of cases. For example:

A Stagecoach passenger approached us recently after the company stopped operating the X57 bus service after 6pm; it is now operated by Finglands, under a tender from GMPTE. Having bought their tickets from Stagecoach in good faith, many passengers are finding that they are not valid after 6pm on Finglands services resulting in them having to buy another ticket from Finglands. Passengers have complained that there was no notification of this by Stagecoach.

Multi-operator tickets, and simpler, electronic ticketing more generally, can help to speed up boarding, particularly given that most buses outside London have only one door. Faster boarding contributes to improvements in punctuality, passengers' top priority for improvement.

Avoidable delays are likely to be exacerbated if opportunities to inform passengers about fares and ticketing products and their conditions of use before they board are not taken up. In our priorities report, passengers rated information provided at the stop on fares as the bus stop attribute which least met their expectations (9th out of 9).

Multi-operator tickets can also save passengers money. Oyster has a high profile outside London.

In summary, multi-operator ticketing schemes are desirable from passengers' point of view.

Passenger Focus' policy position

The current 'default' position on rail, whereby passengers are always offered a multi-operator ticket should be preserved. Passenger Focus has always supported 'network benefits' such as through ticketing and the inter-availability of tickets.

Being able to get on the first bus should be the default position, as it is with rail. It should be the passenger's decision to "trade down" if they wish to sacrifice flexibility and buy a cheaper ticket, not an assumption made by operators. Operators should be required to inform passengers of any savings they could make if they wished to give up the flexibility of a multi-operator ticket, and only use the buses of a particular operator.

As a matter of principle, it seems reasonable to expect passengers to have to pay some sort of premium for the benefit of enjoying the flexibility of travelling on any operator's buses. We have not asked passengers what premium they are prepared to pay. However, passengers may be reluctant to accept that it is reasonable for different operators to sell the same multi-operator pass at a different price.

And yet, multi-operator tickets are far from ubiquitous in the bus industry. The OFT's own study of the bus market last year found that head-to-head competition is limited to about one third of local transport authorities; even towns such as Bristol, Brighton, York and Cambridge have just one main operator. This effectively renders the argument redundant in these areas, since passengers can get on the first bus without worrying about whether their ticket is valid with that company.



However, the same study indicated that only 20 out of 36 bus operators who responded had entered into multi-operator ticketing; multi-modal ticketing was much more widely available. Operators frequently tell Passenger Focus that they can't talk to each other because of fear of being accused of collusion by the OFT; it is recognised that this may provide some with a convenient excuse for avoiding doing something they do not want to do anyway.

Care should also be taken to continue to exempt the integration of ticketing between rail, bus, tram, coach and other forms of public transport. The rail fares manual contains many examples of integrated ticketing ranging from the widely know 'travelcard' used in London to more local examples of combined rail-bus tickets (plus-bus) and even some rail-ferry through tickets (e.g. to the Isle of Wight).

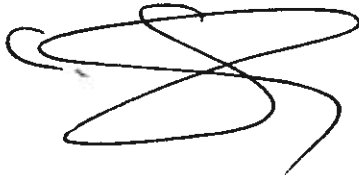
Conclusion: OFT block exemption

For all of the above reasons, we agree with the OFT's proposed recommendation to extend the duration of the PTTs Block Exemption for five more years until 29 February 2016.

I hope this is helpful

Yours sincerely

A. J. S.



Anthony Smith
Chief Executive