TravelWatch
NORTHWEST

Oxford St Manchester: Tel 0161 238 7071
Email: admin@travelwatch-northwest.org.uk
Website: www.travelwatch-northwest.org.uk
Correspondence address – 11 Harvelin Park, Todmorden, OL14 6HX

promoting quality public transport..........

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

19th October 2010

Dear Sirs,

Public Transport Ticketing Schemes (PTTSs) Block Exemption

TravelWatch NorthWest is an independent Community Interest Company representing the interests of public transport users throughout. NW England. We welcome the opportunity to respond to this consultation.

In June 2009 we did respond to OFT's wider **review of the local bus market**, and have attached to this current response an **ANNEX** extracting our earlier responses on what we consider are still extant related issues.

There is one issue which we consider to be vital and on which this consultation is silent. We refer to the general unavailability to passengers of **fares information** ahead of their considering making a journey by bus.

Our research[1] shows that information about ordinary single and, where available, return fares on registered local bus services can in most cases only be established by making a journey or, where possible, contacting the operator or operators where more than one is involved. Typically information on operators' web sites is confined to the prices of their ubiquitous daily, weekly and monthly single operator travelcards.

For there to be perfect competition there needs to be complete price transparency. As long as passengers cannot know which operator's bus is approaching first or what fare will be charged our response can be no more than an academic exercise.

Notwithstanding this we give below our answers to the nine questions posed.

[1] "Information about bus fares" TWNW June 2009

North West Public Transport Users' Forum Community Interest Company trading as TravelWatch NorthWest
Company No. 6181713
Registered Office: 2 Park House Drive, Heversham, Cumbria, LA7 7EG

Question 1

Do you agree that integrated ticketing schemes 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.

Yes, especially when they have the potential to make the whole of an area's public transport network accessible and affordable. Not only can they grow operators' markets, they can also encourage "greener" modal choices. By eliminating interchange fares penalties they help to encourage a wider social mix of passengers. Multi operator Travel Cards (MTCs) in particular can facilitate making connections between areas of needs and of employment, leisure, health, education and social opportunities.

Question 2

Do you agree that ticketing schemes, 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.

TWNW agrees that compliant ticketing schemes are unlikely to impose unnecessary restrictions on undertakings. We also agree [2] that fixing the end price of a MTC is unavoidable. However this can have the unintended consequence of allowing participating operators to resort to predatory [3] pricing by offering [4] their own ubiquitous daily/weekly/monthly tickets at a discount on the MTC price.

We cannot envisage any alternative revenue sharing agreements which don't rely on a fixed end price and would not have the potential to create the sort of perverse incentives described t Q3 below.

---

[2] the claim in para .4.18 that MTCs will have to compete with operators' own travel cards.

[3] As described in our response to OFT's initial consultation in 2009 on reviewing the bus market :-"Predatory Pricing. There are a number of ticketing schemes, mainly but not exclusively historic and with most in PTA (now ITA) areas, where operators have agreed to honour daily, weekly, monthly and annual tickets sold by their local association or by the LTA on their behalf. These agreements have arrived at a negotiated price below which the operators have indicated they could not participate commercially. Yet, despite, this, many of the participating large operators where such agreements exist, persist in undercutting the agreed area wide price with their own less expensive daily, weekly etc tickets valid only on their services. This has the twin effects of seriously weakening the joint schemes by making them relatively unattractive and of driving out small competitors by charging a fare which is patently below what they have jointly agreed is commercial."

[4] mainly by the big groups

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.

An indispensable key feature of any joint ticketing scheme must be that it should not create perverse incentives for operators to establish fares higher than they would otherwise have set them [5].

Question 4

Do you agree that a fair share of the economic benefits provided by integrated ticketing schemes 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?

Bus fares, and the price of tenders for unremunerative but socially desirable services, are rising steeply. TWNW suspects that passengers do not receive a fair share of operators' associated financial gains, but without statutory fares control [6] it would be impossible to establish this or to ensure such an equitable outcome.

Question 5

Do you agree that ticketing schemes, 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?

Yes. Even with an all embracing Quality Contract there will always be a maverick margin of operators unwilling to participate. As para 4.25 of this consultation points out, there is a presumption in favour of new entrants being entitled to join PTTSs and set their own fares and timetables [7]. However experience [8] shows that non conforming competitors rarely survive for long.

---

[5] For example, the "revenue foregone" formula for determining the level of reimbursements paid to operators for allowing free concessionary travel can be manipulated by them raising their standard fares.

[6] As by ORR for rail services, and by Traffic Commissioners (arguably *ultra vires*!) before bus deregulation in 1986

[7] The Local Transport Act 2009 now allows agreements on maximum fares and timetables

[8] For example, in the 1980s, before the Transport Act 2000 provided for the making of ticketing schemes by Local Transport Authorities, at lease one operator in Greater Manchester declined to accept the PTE Clippercard (TTs). There is also provision in the Local Transport Act 2009 ss 29 and 49 for traffic Commissioners to accept "exempt service" registrations (similar to London Local Service Licences - Transport Act 1985) where there is a Quality Contract

Question 6

Do you agree that there is a risk that without the PTTS Block Exemption operators would not choose to participate in ticketing schemes, and especially in the establishment of new schemes? If so, do you have any evidence to support this view?

Yes. Even with the shelter afforded by the block exemption, operators remain nervous as to how far they are currently protected from accusations of collusion.

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)?If so, please describe these schemes and explain why they would provide additional benefits.

The reverse has occurred, with, for example, there now being fewer, if any, current Carnet schemes.

We believe there are also few, if any, prospective alternative ticket schemes. The following are possible future scenarios:-

- The Local Transport Act 2008 has further relaxed the competition constraints on Quality Partnerships and ticketing schemes within Voluntary Partnership Agreements [9], specifically allowing the making of conditions on maximum fares, frequencies and timings.
- Quality Contract schemes, which should be outside OFT jurisdiction [10], would involve Local Transport Authorities setting fares,
- The Plus Bus "add on" to rail tickets is a modest success, but it would be helpful if the block exemption made it explicit that bus operators could agree an "add on" which would allow passengers arriving by their bus to purchase a network ticket valid from their destination.
- New technology, such as mobile phone, iTicketing and internet purchased eTicketing are proving popular, but even when these are embraced [11], they tend not to alter, other than perhaps allowing a discount, the underlying fares and their structures.

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

[9] Transport Act 2000
[10] as is the case in TfL and Northern Ireland
[11] e.g. the Arriva Group's mobile phone ticket purchasing scheme

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.

New commercial schemes are emerging fast [12]. A smartcard scheme [13], for example, if employed as a "pay as you go" (PAYG) stored value "electronic purse" usable as a carnet could well be considered as a Multi Operator Individual Ticket (MIT- and thus subject to the block exemption rules).

We agree that fundamental revision of the exemption to accommodate such anomalies might be premature. However OFT must be prepared if necessary to recommend to the Secretary of State that the rules governing PTTSs should be varied.

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?

Yes, the proposed timescale mirrors the anticipated life of the current Government. The caveat above (Question 8) should, however, apply here also.

Thank you again for the opportunity to respond

Yours faithfully,

John Moorhouse
Company Secretary

Author of paper : Paul Fawcett MPhil. FCILT

[12] para 5.21 reinforces this statement
[13] such as TfL's Oystercard

ANNEX - Response June 09 to OFT review of local bus market

A contestable market?

There are several forms of competition within the bus market.

Operators may compete "on the road" for passengers or they may, as happens now in the case of non commercial services [14] and in London and Northern Ireland and would happen with QCs, compete "off the road" for subsidies awarded by competitive tender.

Competition for Tenders

A disturbing tendency has been for tender prices to rise faster than inflation [15] so that LTAs have been forced to reduce the numbers they put out to secure unremunerative but socially desirable services to "meet the requirements of their areas" [16]. The average number of bids received for each invitation to tender is also reducing year by year.

Tactical de-registrations

Even more disturbing is the accelerating rate of service de-registrations by large operators. It is generally perceived that these de-registrations are "tactical" moves to pressurise LTAs into putting what are often "commercial" services out to tender. The incumbent large operator, in possession of accurate costs and revenue projections, is in a pole position to win the tender and go on to operate their commercial service with LTA subsidy.

[14] approx 20% of the UK bus market
[15] ATCO annual report 2007
[16] LTAs residual function under the Transport Act 1985