



Consultation on the renewal of the Ticketing Scheme Block Exemption

Response of CPT

September 2015

The Confederation of Passenger Transport is the trade body speaking for licensed bus and coach operators. We have around one thousand enterprises in membership, drawn from both the public and private sectors. Our members are active in the markets for local and long-distance bus and coach services, coach holidays and coach hire. Some of our members are responding to the consultation in their own right, giving examples that they may not have disclosed to us.

Questions for consultation:

1. Do you agree with renewing the Block Exemption? Please explain and provide reasons for your answer.

Yes. It makes it possible for operators to provide products that some passengers value in virtually every urban area in the country.

2. Do you consider the continuation of the Block Exemption to be necessary to deliver integrated ticketing schemes that are beneficial to consumers?

It is certainly very helpful, and it is doubtful that as many beneficial integrated ticketing schemes would be made if they each had to be justified by reference to the core principles of the Act.

3. Would consumer choice, in particular the variability and suitability of ticketing options, be significantly reduced without the Block Exemption?

Yes, because fewer integrated products would be available in the markets.

4. If the Block Exemption was not renewed how would that influence your operations? Please provide examples and an indication of the likely costs to your business and the potential implications for the transport sector more widely.

We can only comment on the general implications. We believe that it would be more difficult for the public transport industry to compete against alternative means of getting around in the absence of the Block Exemption.



5. Have there been any adverse consequences from the application of the Block Exemption? Please provide examples and details.

We are not aware of any.

6. Has the current Block Exemption prevented any developments in the last five years that could have benefited consumers? Please provide details of the proposed development and how the Block Exemption has prevented this.

The terms of the exemption have caused issues with operators' pricing of MTCs at a level that meets the wider political objectives of the DfT and the major City Regions. The problem arises from the restriction on pricing MTCs with regard to the price of alternative single operator tickets.

7. Do you encounter any difficulties in applying the Block Exemption rules? Please explain and provide specific examples.

Our members tell us that they sometimes have to adopt burdensome methods for dividing the revenue from MTC schemes as a result of the Block Exemption's disapproval of the "revenue foregone" method. However, the gradual conversion of MTCs to smart media will ease that problem since it will become possible to accurately record and allocate revenue in direct proportion to actual use.

8. We would welcome views on whether a longer duration for the Block Exemption would be desirable. Please outline the reasons for your answer highlighting any cost implications and associated risks of your preferred options (see Chapter 4 above).

We think that a ten year extension would be useful if our suggestions are adopted, particularly in relation to the applicability of the exemption to different ways of paying for travel.

9. Do you agree with the assessment outlined in Chapter 5 of this consultation? Please provide further explanation and information to support your answer.

Comment on 5.7 and 5.8

The relative pricing of single- and multi-operator travel cards is a complex issue. There is a general perception in the industry that consumers are becoming intolerant of large price premiums and this is beginning to flow through to local pricing decisions. However, if they cover the same geographical area, the same times of day and the same days of the week (which consumers expect) it is illogical for a multi operator ticket to cost less than a single operator one. If some operators adopt a strategy of operating for ten hours a day on six days a week and price their own tickets accordingly, why should an operator that chooses to operate 24 hours a day for seven days a week have their travelcard prices dragged down?



Comment on 5.14

Some of our members believe that the theoretical disbenefits of allowing operators to distribute MTC revenue in relation to fares foregone are outweighed by the burden of bespoke calculations by other methods. They would therefore like to see a change of heart from the CMA on this point.

Comment on 5.16

MITs are rare, and it is difficult to establish whether this is a consequence of their treatment within the Block Exemption, or for some other reason. We are constantly told that consumers want a simple set of price propositions. We do not believe that passengers expect to pay different prices for what they see as the same product (in the case of an MIT) based on which operator they have bought it from.

Comment on 5.25

In our view, this is the part of the Block Exemption most in need of change, or at least clarification. It needs to be absolutely clear that operators can jointly develop integrated price propositions, based on a geographic area, on two points linked, or on a period of time, which the consumer can consume by “touching in” with a smart card, a bank card, or any other means of identity. It is the offered price, plus the action of touching in, that create the contract. The evidence of the contract could exist only in electronic form until a charge is determined, based on the travel consumed. It might alternatively be bought in advance and drawn down by touching in.

In addition we have highlighted some areas where we would welcome representations:

(a) We would welcome examples where MIT schemes have been abandoned or not commenced because of the requirements that revenue lies where it falls. We would also welcome proposals of other possible revenue share options that would satisfy section 9(1) conditions and under what conditions these would apply, for example where operators only overlap to a limited extent because their services mostly operate at different times of the day. (See paragraphs 5.17 to 5.20)

We are not aware of any scheme that have been abandoned or not commenced for this reason.

(b) Whether in relation to capped tickets there are any practical obstacles to redistributing revenue collected to the relevant operator on a revenue foregone basis for smart ticket sales which fall below the capped price. If so, what revenue allocation would be appropriate? (See paragraphs 5.36 to 5.38)

We think it would be illogical to distribute revenue by any means other than revenue foregone in these circumstances.

(c) Whether barriers are likely to arise for smart ticketing and the extent to which they could prevent participation in the schemes. (See paragraphs 5.42 to 5.44)

Barriers are likely to be relevant only to operators that derive a small proportion of their revenue from passengers who might want to use a smart card. All UK multi-operator smartcard schemes are designed to use interoperable standards and this should minimise barriers to entry.



10. We consider that it is possible for new ticketing technology and products to be accommodated within the current Block Exemption (subject to clarification through revisions to the Guidance Document). Have there been any developments, in particular in ticketing technology and products, in the last five years or are any expected over the next five years that affect the Block Exemption and would require, in your view, a change in its terms? Please explain and provide specific examples.

See our comment on 5.25

11. Please provide any other information and/or views that you consider relevant for the CMA's review of the Block Exemption. Are there in your view other recommendations that the CMA should consider? For example, are there variations to the scope of the Block Exemption that have not been considered in this consultation document? Please provide any relevant evidence that you have to support your views.

N/A

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